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EDITORIAL

As We See It

The annual meetings of the Economic and Allied Social Science Associations have just come to a close here in New York City. A number of these constituent groups concern themselves with scientific questions or with other topics with which we can not claim any degree of competence or warrantably hold any pronounced opinions. There are among them, however, a number of organizations such as the American Economic Association and the American Finance Association which include in their membership many of the leading students of things economic and financial. In one degree or another the same may, perhaps, be also said of such groups as the Industrial Relations Research Association, the American Marketing Association, the American Farm Economics Association and the Econometric Society.

It seems to us that the public is entitled to expect from such leading intellectuals in the course of such programs as these careful observations and analysis of what can be expected of what has been going on in this country for years past—what is to be expected not merely this year or even next but during the years or even decades that stretch out before us. Basic political and economic philosophies have undergone radical changes since Keynes and others who before him and following him (and imitating him) undertook to dream a way out of the post-1929 depression and into a millennium of eternal prosperity.

All this has brought forth governmental programs, public attitudes, business practices, and habits of life which often defy, when they do not ignore, a long list of time honored axioms of

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The Imported Car in America

By J. BRUCE McWILLIAMS
Pound Ridge, New York

In discussing the imported automobile market in the United States, Mr. McWilliams analyzes the growth of car importations and its future trend. Points out sale of imported automobiles is assuming substantial proportions, and the rate of growth is gathering momentum. Estimates twice as many foreign cars will be sold in the United States in 1955 as were sold the previous year. Lists a number of foreign car makes introduced in U. S.

Late on a Saturday afternoon last June, a two-seater automobile hurtling along a road in France crashed as it attempted to avoid another car partially blocking the road ahead. Frequent as automobile accidents have become this particular crash was destined to be world news. It was, in fact, the worst automobile accident in the history of the motorcar. The car was of German manufacture, the driver was a French national hero, 89 people were killed, comprising several nationalities. For good measure it should be added that the car that crashed was capable of going 180 miles per hour—it was travelling at 140 when the crash occurred—although its engine is substantially smaller than that in almost any American car.

J. Bruce McWilliams

For those who have not guessed, this fantastic accident happened at Le Mans, France, during the early hours of the famous 24-hour automobile race which is run over public roads forming a circuit of about eight miles. The car was a Mercedes Benz 300 SLR and the driver was Pierre Levegh of France. As we will see later, the 300 SLR is one of the most advanced automobiles in the world and it was not failure of the machine but an error in human judgment that led to this frightful catastrophe. It was not in fact even an error in the driver's judgment but someone else's, which is often the way of accidents.

There could be many different starting points for an

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Reflections of a Central Banker

By ALLAN SPROUL*
President, Federal Reserve Bank of New York

Leading banking official, describing organization and workings of our central banking system, declares it requires practitioners steering a middle course between private and public centers without conflict of private and political interests. Cites aim of combining stable dollar with growing, expanding, high level, peace-time economy. Noting broad significance of open market technique and selective credit controls, concludes a fresh thorough study of our banking and credit machinery and money and capital markets is called for.

When you invite someone who is not a professional economist to speak on an occasion of this sort, there is always the danger that he will try to talk like a professional economist, and thus make a fool of himself while failing to fool his audience. I am not a professional economist. I hate to make a fool of myself. And I know I could not fool you.

Allan Sproul

I may have to skate pretty close to what is, for me, the thin ice of theoretical economics, however, because although I am not a professional economist, I am a practitioner of an art which must draw inspiration from the work of professional economists. Central banking is largely practical economics, a sort of laggard son of theoretical economics, and I have been practicing central banking for the past 35 years. My long apprenticeship in the field is the excuse for the title which has been given to my talk, "Reflections of a Central Banker." Maybe that sounds as if I were going to give you some rocking chair stories of my experience, but that is not

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*An address by Mr. Sproul before a joint luncheon of the American Economic Association and the American Finance Association, New York City, Dec. 29, 1955.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 40.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

J. Ray McDermott & Company—G. Shelby Friedrichs, Partner, Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La. (Page 2)

Ferro Corporation Sub. Conv. 3⅝% Debs.—Donald M. Liddell, Jr., Executive Vice-President, Templeton, Dobbrow & Vance, Inc., Englewood, N. J. (Page 2)

G. SHELBY FRIEDRICHS

Partner, Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

J. Ray McDermott & Co., Inc.

Here in New Orleans we are looking to the development of the oil and gas reserves beneath the Louisiana continental shelf as a dynamic investment opportunity. The so-called "tidelands" constitute one of the last U.S. frontiers for oil and gas exploration. Already the industry has spent over $400 million for leases and between $40 and $50 million in rentals in the tidelands. As of June 1, 1955, 68 fields had been discovered off the Louisiana coast, of which 33 are oil and 35 are gas. Over 800 wells have been drilled and 480 have been discoveries, a "success ratio" of 60%.

G. Shelby Friedrichs

In my opinion, one company stands out as being strategically situated to benefit from these offshore activities. **J. Ray McDermott & Co. Inc.**, is basically a contracting and engineering firm, which specializes in servicing these offshore operations. This includes platform construction, excavating and dredging, pile driving, towing, and laying oil and natural gas pipelines in the Gulf Coast area. This work requires the use of new and unique equipment, designed especially for this purpose. McDermott's equipment, which is insured for approximately $20 million, includes offshore derrick barges, dredges, tugs, aircraft, boats, pile-drivers and various types of automotive equipment.

The ownership of this equipment, plus the company's wide experience and superior reputation, make McDermott the dominant factor in this field. The company's management has been alert to new developments and has anticipated the major oil companies' requirements for the development of the offshore lands. The company is therefore in a position to continue to grow in direct relationship to the further development of this area.

The prosperity of this contracting business, which dates back to the early 1930's, prompted management to seek profitable employment of its earnings, and also to attempt to build net worth with "tax dollars." Consequently, an Oil and Gas Division was organized and taxable income was directed toward drilling attractive prospects. For the six years ending March 31, 1955, the company participated in drilling, in partnership with other companies, a total of 450 wells, of which 265 were completed as oil wells and 16 as gas wells, for a "success ratio" of 62.4%. As a result, reserves of over 20,000,000 barrel of oil and gas distillate have been discovered and proven. Current production is running at the rate of more than 5,500 barrels per day. (Approximately $5 million per year.)

As of March 31, 1955, net leaseholds amounted to 275,568 acres and several interesting investments in acreage have been made subsequently. One of these is an investment of $1,762,500 in 5,000 acres offshore.

The ability of a company to carry on such an aggressive program of exploration and development is dependent primarily upon the generation of cash through normal operations. J. Ray McDermott has built up this "cash-flow" from $2,731,000 in 1951, to $9,432,000, or $4.71 per share in 1955.

It is my opinion, therefore, that the company's earnings of $1.86 per share, and dividend of 60 cents per share, are misleading. This stock should be viewed as one with earnings of approximately $5 per share, a large part of which is being judiciously reinvested in oil and gas reserves. If considered on this basis and if effect is given to the favorable outlook for the offshore contracting business, it is easy to reach the conclusion that this is a most attractive capital gain situation. The stock is traded in the Over-the-Counter Market.

DONALD M. LIDDELL, Jr.

Executive Vice-President
Templeton, Dobbrow & Vance, Inc.
Investment Counselors
Englewood, N. J.

Ferro Corporation Subordinated Convertible 3⅝% Debentures

Ferro Corporation subordinated convertible 3⅝% debentures, 1975, represent, in the opinion of the author, an issue qualified on its own merits for inclusion in the defensive section of a portfolio, yet having enough appreciation possibilities to be regarded as the equivalent of a somewhat underpriced common stock.

Donald M. Liddell, Jr.

These debentures were sold initially at par a few months ago and are now (Jan. 3) quoted at about 103 to yield about 3.40%. Obviously this return is better than that obtainable on top quality bonds, even with the higher yields now available as the result of the recent general increase in interest rates.

The interest requirement is normally covered by a wide margin. In 1954, for example, net income, after Federal income taxes, was almost nine times the interest payable on this issue. Actual interest charges in that year were small. In 1953, net income came to almost seven times the requirement on the new debentures, while the corresponding figure in 1952 was six times. The company has not reported a deficit in over 30 years, with the exception of 1932, when there was a loss of under $3,000.

Asset coverage for the subordinated debentures is adequate, if not high. The pro-forma balance sheet as of April 30, 1955, showed net assets of over $4,000 for each $1,000 debenture outstanding. Moreover, both asset and interest coverage should improve from year to year due to retained earnings and, ultimately, to sinking fund retirements and conversions into common stock.

The sinking fund provision, it is worth mentioning, is strong. Beginning in 10 years, it is scheduled to retire 6% of the original issue annually at par.

Each debenture is convertible up to redemption or maturity into 25 shares of common stock or at the rate of $40 a share. The common was currently quoted Jan. 3 at about 34. To explain why the conversion feature seems attractive, it is desirable to review the background of the company.

Ferro Corporation, the successor by several changes of name to a company incorporated in 1919, has as its principal product frit, a vitreous procelain enamel. It is used as a good quality finish on such items as refrigerators, stoves, washing machines, etc. Ferro is said to supply about half of the total demand for this material. Other products include electrical heating elements, glazes, paint driers, enamel and ceramic plant buildings and equipment, etc. Also, through subsidiaries it is engaged in the manufacture of powdered metals and refractory items. Through an affiliate it has an interest in the titanium refining business and it puts out fiber glass rovings, mat and cloth on a royalty basis. As may be seen, diversification is exceptionally wide.

Capitalization is simple, consisting only of $6,000,000 debt (this issue) and 657,580 shares of common stock as of Sept. 30, 1955.

Growth has been continuous and substantial. In 1934, for example, sales were about $2,100,000 and net income was $194,000. By 1944, sales had risen to $9,900,000 and net income to $395,000. In 1954, sales were some $43,500,000 and net income $1,927,000. During the past decade sales have risen about two and a half times as rapidly as Gross National Product. Although the rate of increase has slowed down since 1950, the company may still be regarded as a growth situation.

During the ten years ended in 1944, net income averaged $1.33 per share of common stock, while for the latest decade earnings rose to an average of $2.69 a share. After reaching a high of $4.45 a share in 1950, income fell off to $2.12 a share in 1952, but has since risen to $2.53 in 1953 and $3.14 last year. It would appear that results for 1955 might be in the neighborhood of $4 a share, with $2.89 reported for the first nine months. It should be noted that the above figures are not as reported but are adjusted for stock dividends aggregating about 50% paid at various times from 1940 on.

Book value of the stock has been rising, despite stock dividends, due to substantial undistributed earnings. At the end of 1944, this figure stood at $11.90, adjusted, a share, while ten years later it was up to $29.39 a share. By the end of April, 1955, book value had reached $30.25 a share.

Prospects for the future seem good. For one thing, Ferro has a rather large volume of foreign business which, in 1954, came to about one-third of the total sales and to a somewhat larger percentage of net income, and it appears that the economic recovery of many foreign nations is now progressing more rapidly than it is in the United States. For another, some of the newer divisions are said to be showing profits currently in contrast to earlier losses. Finally, the management is regarded as both aggressive and highly capable, a

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Long-Term Capital Market Outlook

By JAMES J. O'LEARY*
Director of Investment Research
Life Insurance Association of America

Dr. O'Leary holds that again in 1956 demand for long-term funds will exceed supply of savings, with the difference being provided by a further expansion of bank credit, accompanied by a continuance of Federal Reserve's restrictive credit policy. Looks for resultant upward pressure on interest rates, primarily in the short-term sector but also spreading to long-term rates. Does not expect Treasury to be important net borrower in year ahead, and contends bulk of its refinancing activity will be in the short-term area. Cites possibility, however, of continuance of trend whereby short-term rates may rise above long-term credit accommodation, in which event the Treasury may find it increasingly advantageous to lengthen its maturities. Sees no appreciable rise in yields on new corporate and municipal securities, and expects another record expansion in mortgage lending on firm to rising rates. Says political pressures may result in uneconomic lengthening of VA and FHA mortgage terms.

I shall start my appraisal of the outlook for the long-term capital market by placing on the table certain assumptions which I am making regarding the general economic outlook for next year. First, there will continue to be in 1956 a highly favorable psychology on both the part of consumers and business which will keep their expenditures high and contribute toward further expansion of the national economy. Secondly, government authorities charged with responsibilities for preventing any serious economic downturn will continue to have their ears glued to the ground for any rumblings in the direction of a downturn and they will move promptly to take corrective measures. In the present climate it seems a good bet that they will act too early rather than too late. It is easy to overemphasize the importance of the fact that 1956 is divisible by four, but it is a factor of no small importance.

Dr. James J. O'Leary

Against this background, I can see no reason for anticipating any serious reduction next year in Gross National Product. On the contrary, it is my guess that we shall witness a further moderate rise in GNP, with both personal consumption expenditures and private domestic investment contributing to the increase. Within the category of investment expenditures, I can see no reason for doubting that a further rise in expenditures for new construction and producers' durable equipment will take place. I am not worried about any substantial decline next year in nonfarm residential construction for reasons to be touched upon later, but if some decline should occur the slack will undoubtedly be taken up by commercial and industrial construction. In short, then, it is my assumption that the general economic environment in which the market for long-term capital funds will function in 1956 will be one of an extension of the present high level of business activity.

Sources and Uses of Capital Funds

At this time of the year it is fashionable to analyze investment prospects in terms of sources and uses of capital funds. The estimates for 1955 which we have put together indicate that the demand for long-term capital funds this year has outrun the supply of savings, and that the excess of demand has been accommodated by an expansion of commercial bank credit. This has been especially true in the real estate mortgage field. The expansion of credit has been held down by the fortunate fact of a comparatively small increase in the Federal debt this year, along with the wise policy of credit restraint pursued by the Federal Reserve. Our estimates indicate that pretty much throughout 1950-1955 the demand for long-term funds has exceeded the supply of savings and has brought forth a substantial increase in the volume of bank credit.

I see no reason to believe that next year will be any exception to the general pattern which has prevailed in the past several years. The net increase in mortgage debt, corporate security issues, issues of state and local governments, and other uses, with the exception of Federal borrowing, should equal or exceed the uses of capital funds this year. In other words, it seems likely that again in 1956 the demand for long-term funds will exceed the supply of savings and that there will be pressure to supplement savings with an expansion of bank credit. If these conditions exist, the authorities will be required to continue a restrictive credit policy with resultant upward pressure on interest rates, particularly short-term rates, but with this pressure also spreading to long-term rates.

I would like to turn now to a more detailed discussion of the

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*An address by Dr. O'Leary at the "Money Market Outlook" panel of the American Finance Association, New York City, Dec. 29, 1955.

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Observations . . .

By A. WILFRED MAY

Non-Atomic Splitting

Perhaps by way of a holiday hang-over, this column feels it may be timely to offer some words of caution to the investor at this beginning of the New Year. Citation of some market foibles which came to the forefront in 1955 might have a sobering and constructive influence.

A. Wilfred May

Probably foremost in importance as a thermometer of the public's speculative temperature has been the stock-split jamboree. Far more significant than the actual splits, numbering 73 Stock Exchange issues last year (double those in 1954 and treble 1953's) has been the market community's attitude toward the process. It is the public's excessive excitement about the device, whether actually effected or merely rumored, that calls for the dissemination of realistic conclusions.

Some of the ideas about of a prospective "split" do not even justify the "rumor" characterization — frequently merely representing an individual commentator's figment of the imagination, sometimes for explaining a market rise that has taken place, sometimes for instigating a hoped-for one. The query, "when is X-stock going to split?" has supplanted the logical inquiry, "What is it going to earn?"

Chronic Scrambling of the Arithmetic Table

The prevalent false impressions about the stock split in a way carries on Wall Street's traditional involvement in arithmetic fictions. In supporting the market of the booming 1920's via the holding company craze was the credo that the whole was worth far *more* than the sum of its parts—and the greater the pyramiding the greater the plus value. Thereafter during the sour market psychology of the late 1940's the public persisted in valuing the whole of the dissolving public utility holding companies at far *less* than the sum of their parts. Now in the split process speculative arithmetic is again awry, in operating on the premise that the constituent parts will be worth more than the whole.

Hiding Behind the Other Fellow

The stock split's perseverance as a bullish stimulant now among most categories of the market community is particularly remarkable since practically no one attempts to justify it on its logical merits. The merest challenge will usually elicit the quick admission that splitting does not add anything to the intrinsic value of an issue; that three-thirds of a piece of paper are worth no more than the original whole. The split's defenders, reflecting a widespread Wall Street proclivity, rest not on justifying what the individual himself should do, but on exploiting the behavior foible that others have pursued, and presumably will continue to follow. This is in line with the expression of mass investor psychology depicted by Lord Keynes wherein he likens investment to a beauty contest in which the contestants do not select the lady whom they themselves judge to be the most beautiful, but as being the most popular among the other pickers. The investor, similarly, devotes his effort anticipating what average opinion expects the average opinion to be. Is this reliance on a believed policy, irrespective of its validity, perhaps precarious—as suggested by the demise of certain credos of other eras?

Mental Pyramiding

Another notable characteristic of the prevalent split psychology is the *cumulative* quality of the expectations. A stock has during the bull market risen to 100, at which level it was deemed advantageous to lower its price via a 4-for-1 division. Subsequently the price resumed its advance, from the renewed 25 level. When it re-attains levels close to the former 100 peak, the rise as well as the promise of further advance is justified by market commentators on the high price calling for a split. Surely a self-lifting bootstrap operation!

The stock-split, from corporate management's viewpoint as distinguished from the market's attitude, does have some justification. It stimulates broader distribution, and such broadening does often entail advantages. But even this benefit may be exaggerated, as in the case of expectations of increasing consumption of the company's product, as in the case of a recent retail organization where the maximum expected from an increase in the number of shareholders could only compose an infinitessimally, proportionate addition to the concern's sales in the billions.

One minor disadvantage to the shareholder from splitting that has been generally overlooked is the increased custodian fee calculated on a per-share basis that ensues from an enlargement of the number of shares owned.

The Long-Term Market Performance

The market performance record surely justifies the doubts about the longer-term market advantages. As demonstrated in a recent analysis in *"Exchange"* magazine, in the great majority of cases, despite the bull market's continuation, it would have been advantageous to liquidate right after the split announcement.

And the non-fulfilment of splitting as an aid to long-term market performance has been recently demonstrated by Bernstein Macaulay Inc., in the following citations of the record of 23 of the 30 stocks comprising the Dow-Jones Industrial Average that were derived from 1945-54:

(1) Although all the stocks went up when the split was announced, six months after the date of the split, 12 out of the 23 had either gone up less or down more than the Average itself. Those stocks which significantly out-performed the Average were typical of industrial groups which have consistently out-performed the Average during this period *regardless of splits*—the oils, chemicals, and steels.

(2) Between the date of the split and the present writing, 13 out of the 23 have gone up less than the Average — in fact, six have gone up by less than half as much as the Average and two are actually very considerably lower than they were at the time of the split.

(3) Where a split stock has out-performed the Average, one can always find a company of roughly comparable quality in the same industry where appreciation was equally great, even though its stock was not split.

(4) Performance in the bull market which began two years ago has in no way been affected by the price a stock was selling at in 1953. Indeed, the five stocks in the Average which have acted most poorly are still selling for less than $50 a share!

* * *

To qualms based both on logic and long-term performance the Split Bull replies that they are irrelevant to him in his habitual function of exploiting market habits for short-term gain. But the question may be asked: Even within this area, will such policy prove safe?

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production underwent a moderate decrease in the period ended on Wednesday of last week, but over-all output registered a noticeable increase above the level of the similar week a year ago.

In the steel industry producers are off to a running start toward a probable all-time production record of 118-120 million ingot tons in 1956. There's just one dark cloud over the horizon and that is steel labor, "The Iron Age," national metalworking weekly, states this week.

The fuss made over automotive production cutbacks is premature, since no one will really know until later in 1956 whether consumer disinterest is anything more than a year-end breather. The demand for new cars is still strong.

Steel labor is something else, a stalemate at the bargaining table next June could knock everything into a cocked hat. The United Steelworkers want higher wages, supplementary unemployment benefits (guaranteed wage), an unqualified union shop and improved pension and social insurance benefits, reports this trade authority.

Another industry problem is prices. Revisions to date have been more in the nature of technical adjustments to bring extra processing costs into line. Base price increases have been scattered and put into effect largely by the smaller producers, but the need for a general price increase is still present, continues this trade journal. A good guess is that steel prices will be up an average of $3 per ton by March. The labor settlement will be followed by another boost, probably in the neighborhood of $8. This would make a total for the year of $11.

The auto letdown will bring no relief to other consumers. Detroit has no intention of by-passing any tonnages from their regular suppliers. The carmakers are backing away only from costly conversion and warehouse commitments, adds this trade weekly.

For the first time in years, steel producers are entering a new year with orders outrunning production, a 3-to-4-month backlog on the books and certainty of a full schedule for the first six months.

Consumers are facing 1956 with their inventories depleted and relatively little chance of improving them soon. But they'll be in there pitching to rebuild stocks both to assure continued production in their own plants and as a hedge against a possible strike. Working against them will be the mills' efforts to bring deliveries into line with promises, the possibility of more acute mill maintenance problem and the producers' own need for steel to help meet expansion requirements, concludes "The Iron Age."

It's just about official now, "Ward's Automotive Reports" stated on Friday last, in its comments that the automobile industry has fallen short of the much-coveted and much-discussed 8,000,000-unit production mark for the calendar year 1955.

Sharp holiday production cutdowns, said the statistical agency, were largely responsible for the near miss.

As all plants stopped assembly functions Friday afternoon in preparation for the New Year respite, an estimated 7,940,862 cars had been built during the year. The total is 59,138 units —or about one and one-half normal production days—short of the 8,000,000 goal, said "Ward's."

Last week's anticipated turnout of 118,797 domestic vehicles, or 104,982 cars and 13,815 trucks fell 30.1% below the preceding week's trimmed down Christmas pace of 169,984 units, or 150,881 cars and 19,103 trucks; moreover, "Ward's" added, the past week's

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The Changing Design for Industry And Living Through Electronics

By WALTER WATTS*
Executive Vice-President, Electronic Components
Radio Corporation of America

Mr. Watts calls attention to the contributions of electronics to America's economy and reviews progress of radio and television both in the home, in industry, and in science. Gives highlights of the progress and potentials of electronics and the effects thereof on economics, culture and society. Concludes, for the good of America, the arts and sciences are challenged to work continuously closer together.

The complexities of American business and industry have mounted to such an extent these days that even a relative newcomer — electronics — assumes a high degree of importance in assessing our future and social progress.


W. Walter Watts

While electronics has been hailed as one of the wonder sciences of the Twentieth Century, its stature as an industry became discernible little more than a decade ago—and it still is far from a fully developed industry at this moment. Significant contributions were made by electronics during World War II, but its industrial potential began materializing only after the conflict had ended and a vast array of peacetime applications suddenly loomed ahead of us.

Today, we recognize that all modern methods of communications depend upon the electron. That means, telephone, telegraph, facsimile, teletype, radio broadcasting and, of course, television. None of these could render the modern service that the public demands without employing the electron and working the magic of its control.

Moreover, all modern types of mass entertainment depend upon the electron. You are all familiar with these — phonograph recording and reproduction; tape recording and reproduction; talking motion pictures, radio, broadcasting and telecasting.

Transportation in its modern concept owes its great speed and dependability to electronic devices that perform seeming miracles on land, sea and in the air.

The tiny electron is the prime factor in most modern instruments of war—the key to radar, guided missiles, detection and warning systems, signal controls and communications. Electronic devices are essential in nuclear instruments of destruction. And, conversely, the electron is the partner of the atom in the highly commendable Atoms for Peace programs now under study by many nations.

Contributions to America's Economy

It is indeed a paradox that such importance hinges on the electron—the smallest particle to be found in Nature. Scientists estimate that it would take more electrons to weigh an ounce than snowflakes to create a blizzard covering 2,500 square miles. Yet the growth of electronics as an industry has been so swift and so extensive that even many of us accustomed to its potentialities must admit amazement when we review its progress.

Business executives—like yourselves—will appreciate the contributions that this growth has represented to America's economy. Here are some of the up-to-date figures:

Electronics today is an industry which, with radio and television, has 2,500 manufacturers and 3,730 broadcasters.

Wholesale distributors, retail dealers and service outlets number more than 150,000.

Workers employed directly by the electronics industry now total 1,600,000. In addition there are more than 3,000,000 employees serving this industry indirectly.

The present going rate of annual sales volume amounts to more than $11 billion, making electronics one of the foremost manufacturing industries in our nation.

A fascinating aspect of this industry is the rapid rate of change in products and services. An example of this can be shown by the Radio Corporation of America, with which I am associated. RCA is geared for a billion dollars of business this year. Fully 80% of this total will be sales of products and services not on the market 10 years ago.

And the continuing surge of new developments leads us to believe that it is more than likely that 80% of business done by the electronics industry 10 years hence will again be in products and services that have yet to reach the market.

Radio and Television

Those of us acquainted with electronic scientists and engineers have deep respect for their creative faculties. We have seen their dreams of Yesterday become realities Today — and we have confidence that Tomorrow will bring even greater achievements.

As the forerunner of the modern art and science of electronics, radio broadcasting first went into service only 35 years ago. Now 97% of the homes of America have radio sets, receiving programs from more than 3,000 broadcast stations across the country; there is an estimated 132 million radios, including those in 31 million automobiles.

Television — adding sight to sound — came from "around the corner" only nine years ago. Now more than 400 TV stations are on the air, with programs seen and heard in 34 million households. By the end of this year, total TV set purchases by the American public since 1946 may exceed 43 million.

Television's expanding vigor sent it from city to city and coast to coast so swiftly that the full significance escaped general notice until virtually the entire nation felt its impact.

Now television has become recognized as one of the major economic, social and cultural forces in history. Never before have so many Americans been interested in great music. Never have so many been so well acquainted with the working of our democratic form of government. Never have so many been kept so well informed about the daily news events affecting their lives. And never have so many persons been able to fill their leisure hours with fascinating entertainment.

In recent weeks, we have been witnessing the "break through" of color television into an era of major expansion. This newest miracle of electronics translates the earlier wonder of black-and-white TV into a vivid, realistic dimension that, many of us are convinced, represents the foremost advance in mass communications.

In today's living, color has become the great motivator of choice. It is the prime factor in selecting homes, clothing, automobiles, food and drink. Far more than something pleasant to view, color television adds immeasurably to the power of broadcasting by its ability to convey scenes and action in their natural hues. It brings new brilliance to the entertainment arts, as well as opening vast creative possibilities in education, advertising and merchandising.

These are the reasons why RCA, which pioneered black-and-white television, has worked so hard for so long and expended such enormous amounts of money to add color to transmitted sight. This has been achieved with all-electronic, compatible color television.

The compatibility feature, which RCA insisted upon, assures the orderly introduction of color, without disrupting the present great television service. It means that all color programs can be seen on the millions of black-and-white sets now in American homes, without any additions or adjustments to receivers. It means also that color sets can pick up black-and-white broadcasts.

As I mentioned, the color "break through" is now going on. Excellent color sets of the preferred 21-inch size are reaching the market and will be purchased in ever-increasing numbers. Color programming is being stepped up impressively. Color TV coverage of the 1955 World Series was an epic milestone; football and other sports classics are following.

By the end of 1956, color television will be a major factor in the electronics industry.

Industrial TV and Electronics

Another promising field in our industry is that of industrial television and electronic equipment for manufacturing plants. By industrial TV, we mean the use of television in plants for remote observation of production lines and other activities, for viewing processes that may be too dangerous or inaccessible to workers, for checking meters and gauges, and for education and training programs. I should like to point out for your speculation that industrial TV can be used effectively in darkness with infrared attachments, at extreme high or low temperatures, amid noxious chemical gases, and in depths of water impossible for observation by other means.

From a business standpoint, it is the belief of leaders in our industry that in the next few years industrial and the smaller "Eye-TV" systems will represent a bigger dollar volume for our industry than entertainment television represents today.

Likewise, in use or order development are many electronic devices enabling automatic operations that reduce production costs in manufacturing and make possible lower selling prices to consumers.

Electronic Business Computers

You doubtless have heard much recently about electronic calculating and business machines. We call the RCA system "Bizmac" — and it is our expectation that they will perform important functions not merely for rapid calculation and use in scientific work, but for use in offices and industries where a lot of information will be put in at one end of the machine and answers will come out the other.

These machines have the capability of performing the most intricate statistical operations connected with cost accounting, inventory control and general bookkeeping. They function with a speed and accuracy far beyond that of human clerical workers.

During the next few years, RCA's "Bizmac" system should come into wide usage in large industrial enterprises, and this branch of electronics can eventually bring in hundreds of millions of dollars annually, especially when such machines are developed to a point where they are simple and sufficiently inexpensive for general use.

Microwave Radio Relay Systems

Microwave radio relay systems represent another remarkable product of electronics. These systems are changing the design of communications. As you know, such relays find extensive use in the distribution of network television programs by the Telephone Company — but that is only one service. Similar systems can pro-

Continued on page 32

*An address by Mr. Watts at the New School for Social Research, New York City.

Business in 1956

By HON. SINCLAIR WEEKS
Secretary of Commerce

Commerce Secretary, expressing view chances are bright that 1956 will be another record year, reviews in detail the record of 1955 and asserts as the year closes, the business situation is one of general prosperity, and the opportunity exists for further advances in consumer living standards and expansion of markets for business.

I look forward to a good year. In fact, when the total figures for the entire year are in, the chances are bright that 1956 will be another record year.

Sinclair Weeks

The economic outlook is clearly excellent for the first 6 months of 1956. As for the last half, not enough firm facts are at hand now for me to anticipate the pace of business activity.

It would not be surprising if, later on, some parts of the economy experienced breathing spells, as they adjust from the current extraordinary rate to a more normal rate of growth.

Never underestimate the long-haul growth potential of our dynamic economy. Business activity can level off a bit from time to time and then generate new force for another climb.

Confidence is widespread and the spending rate is high. If both people and government act wisely we can have another good year.

Let us examine in detail the record of 1955 — the fascinating story of how the American people, under the leadership of President Eisenhower and through their private enterprise system, created the greatest era of abundance and individual well-being in all history.

Record Prosperity in 1955

In the year just closing the economy expanded to new high levels of production, employment, and income, making the year the most prosperous the nation has ever enjoyed. Growth was continuing at the year-end.

The Gross National Product, which expresses the market value of all goods and services produced, rose to $387 billion in 1955, the highest on record. The increase over 1954 amounted to $27 billion. After allowance for price changes the Gross National Product was up 6% from 1954 and 4% from 1953, the previous top. The year-to-year advance in constant dollar output this year was the largest in the postwar period with the exception of 1950 and 1951, when the stimulus from Korean hostilities and a greatly expanded defense program were an important influence.

The year began favorably as the recovery in business activity which had started in the latter part of 1954 continued with vigor into 1955. The rising trend carried through from quarter to quarter as a rapid expansion in the automobile industry and residential construction at the beginning of the year broadened out into a sustained general advance. As industrial output expanded, businessmen increased their outlays for fixed capital investment and producers of capital goods experienced a substantial rise in new orders. Sales of nearly all types of consumer goods and services advanced.

General Advance in Income

The greatly enlarged output generated a record flow of personal income to the American public. At $303 billion, personal income was up $15 billion from 1954. Disposable income — the sum remaining after the payment of personal taxes — reached $269 billion, 6% larger than in 1954. Most important, little change in consumer prices acompanied this gain in dollar income. Per capita disposable income in constant dollars was the highest on record in 1955.

Personal income rose steadily throughout 1955. Industrial payrolls led the advance under the combined influence of increasing employment, longer hours of work, and rising rates of pay. Payrolls also rose in all other major industry divisions and total wages and salaries reached $209 billion, a rise of $12.5 billion from 1954 and $10 billion from the previous high in 1953.

Advances also occurred in income of non-farm proprietors, rental income, and dividend payments, each of which rose to a new high. Income of farm proprietors declined, however, as prices received were lower and production costs were little changed from 1954.

Expansion Occurs in Private Markets

All of the expansion in output last year was for the private economy. It provided rising living standards for an expanding population, as well as an addition to the nation's capital stock which matched the highest previous year. Government purchases of goods and services were slightly lower in 1955—$1 billion—as a drop of $3 billion in Federal purchases, chiefly national security expenditures, was partially offset by a $2 billion increase in outlays by State and local governments.

The Federal Government was taking a declining proportion of the nation's output during the year, as total production increased, while fluctuations in expenditures for national security purposes were minor, holding in the $40-$41 billion range. By the third quarter of 1955 the share of gross national product absorbed by the Federal Government had fallen to 11½%, the lowest since early 1951.

Consumer Demand Strong

Consumer buying, which had risen throughout 1954, advanced more strongly during 1955 and purchases of most types of goods and services were at record rates.

Especially notable was the sale of well over 7 million passenger automobiles in domestic markets, a million more than in the highest previous year. Most types of major household appliances also set records in 1955. Total purchases of durable goods by consumers rose from $29 billion in 1954 to $35 billion in 1955. This was $5½ billion higher than in 1953.

Expenditures for non-durable goods and services were each substantially higher in 1955 than in any earlier year. Non-durable goods at $126 billion and services at $91 billion in 1955 were each up $5 billion from 1954.

The substantial rise in consumer purchases was a strong influence pushing the economy to a record performance in 1955. Consumers spent a total of $252 billion in 1955, an increase of $16 billion over 1954.

Part of this increase was financed by consumer borrowing. Consumer credit outstanding rose $5.7 billion in the 12 months ending Oct. 31 to reach $34.6 billion as of that date.

Record Construction Outlays

The construction industry had another highly successful year. The value of total construction activity, public and private, reached $42 billion, an increase of $4½ billion over the previous record in 1954. The volume of new construction put in place was also a record even though a further moderate rise in building costs occurred during the year.

Private outlays accounted for almost all of the rise in construction expenditures and all but a small part of this increase went into residential and commercial and industrial building. Dollar expenditures for residential construction, which constitute more than one-half of all private construction outlays, hit a high mark of over $16.3 billion. The number of dwelling units started — 1.3 million—was exceeded only in 1950.

Public outlays increased $200 million to a total of $12 billion in 1955. Construction of public educational buildings, highways, and water and sewer systems was very active, and construction of military facilities increased.

Private investment in machinery and other types of producers' durable equipment rose from $22 billion in 1954 to $24 billion in 1955.

Total investment in new plant and equipment by nonfarm business was valued at $28.3 billion. This was $1½ billion more than last year and equal to the record year of 1953. Capital outlays by commercial firms and by transportation companies other than the railroads were the largest ever reported. Expenditures by the manufacturing, railroad and public utilities industries were higher than in 1954 though under earlier peak years.

Investment in inventories was resumed in 1955. A little more than $3 billion was added to stocks during the year, as compared with a reduction of nearly the same amount in 1954. In keeping with the increase in demand, most of the addition at both manufacturing and retail levels occurred in stocks of durable goods firms.

Situation at Year-End

As the year draws to a close the business situation is one of general prosperity. Most comprehensive measures of business activity are making new highs. Easing in a few sectors, such as residential construction, and policies of credit restraint designed to minimize inflationary pressures, appear to be tempering somewhat the advance in aggregate demand. Comprehensive averages of consumer and wholesale prices remain stable. At wholesale, industrial prices have been rising moderately in recent months while agricultural prices have been lower.

During 1955 employment rose above levels attained in any prior year. Total employment was around 65 million during the latter part of the year. This was an advance of three million from the corresponding period of 1954. The upsurge in job opportunities reduced unemployment to about 3½% of the civilian labor force and also brought an unusually large expansion in the size of the labor force.

Industrial production rose throughout the year. In November it was 44% above the 1947-49 average, and 12% higher than in November, 1954.

Steel mill operations were at virtual capacity at the year-end as the industry finished pouring 117 million tons of steel, 5% more than the previous high in 1953.

Motor vehicle producers were completing the assembly of nearly 8 million cars and 1.3 million trucks. The previous high was in 1950, when 6.7 million cars and 1.3 million trucks were assembled.

Personal income continued to advance into the fourth quarter, attaining a seasonably adjusted annual rate of $310 billion by October, an advance of $21 billion from the rate in October, 1954.

Consumer spending was still rising from the seasonally adjusted annual rate of $256 billion reached in the third quarter, which compared with $238 billion in the third quarter of 1954.

Retail sales in October and November were up 10% from the same months of 1954. A record Christmas season is indicated.

Business expenditures for plant and equipment which have been rising strongly since early this year were projected at $31 billion in the fourth quarter, with a further rise scheduled in the first quarter of 1956.

With consumer income rising, and wih heavy business investment enlarging our productive capacity and improving the efficiency of operations ample opportunity exists for further advances in consumer living standards and expansion of markets for business.

R. W. Pressprich Co. Admits Vandernoot

R. W. Pressprich & Co., 48 Wall Street, New York City, members of the New York Stock Exchange, have admitted Joseph F. Vandernoot to partnership.

With Kenower, MacArthur

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, Mich. — T. Ray Johnson is now affiliated with Kenower, MacArthur & Co., Bearinger Building.

2 With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Glenn W. Carey and Homer C. Steeg have become affiliated with Minneapolis Associates, Inc., Rand Tower.

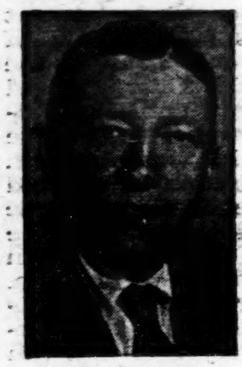
Certain Beneficiaries Of West Coast Gas

By IRA U. COBLEIGH

Enterprise Economist

A compressed article outlining a few sections and some quite young companies in line to benefit from the forthcoming West Coast pipelines.

While there may be some feeling that motors, housing and appliances may not be able to sustain their recent prodigious pace in 1956, security savants are solid in their belief that natural gas in 1956 will be wonderful, especially in the Northwest. The pleasing picture of pulsing new Pacific bound pipelines was sketched in this column recently ("Pipes of Pan Canada," Dec. 8, 1955). Today, impelled partly by logic, and partly by letters requesting it, we shall touch upon three interesting companies which have been, as it were, waiting in the wings, to make their very important entrance into the spotlight of distribution; held back only by the paucity (and cost), up-to-now, of gas supply. Not the pipelines themselves, but the expanding horizons of profitable distribution, will be our area of discussion.



Ira U. Cobleigh

Our first company is **Cascade Natural Gas Corporation.** Organized just three years ago (Jan. 2, 1953), it was dedicated to the belief that the Pacific Northwest would, in due course, be reached by gas pipelines. Accordingly, Cascade set out to assemble and integrate a number of companies into a more sizable organization, for more efficient financing, engineering, accounting and management. First to be acquired (July 1, 1953) was Bremerton Gas Company, Bremerton, Washington; and on Jan. 1, 1954 the facilities to serve Yakima, Walla Walla and Clarkston, Washington; Lewiston, Idaho and two cities in Oregon were acquired. Today Cascade has distribution, or construction plans to serve, 26 communities in Washington, Oregon and Idaho, embracing a population of about 313,000 in one of the fastest growing sections in the United States. These communities all fall along the route of the Pacific Northwest Pipeline which will run South and Southeast from Sumas, Washington (where it will pick up Canadian gas).

Present Cascade operations are confined mainly to delivering LPG-Air in the central sections of towns. For this LPG-Air will be substituted, in most instances, lower cost natural gas, as soon as (1) Pacific Northwest is ready to make delivery; and (2) Cascade has constructed the necessary additional mains, service lines, laterals, meters, etc. 462 miles of additional distributing mains, and 428 more miles of service lines are in the plans.

The keys to this whole new and enlarged distribution network (in addition to franchises) are the 20-year contracts with Pacific Northwest Pipeline Corporation for gas supply. These, and all the other minutiae of financing, capitalization, rates, construction, territory and operations, etc., are fully unfolded in the prospectus issued Dec. 21, 1953 in connection with underwriting of $3,589,450 of units consisting of $50 face amount of 5½% Interim Notes, and one share of common. The common has been selling, over the counter, at around $10.

Get the prospectus, if Cascade interests you, and you may be able to perceive, in outline, the nucleus of a gas company with a rather unusual growth potential.

The second company we had in mind is **Great Northern Gas Utilities Ltd.** This is a lively and thriving public utility, serving natural gas to a group of towns in Central Alberta, including Athabasca, St. Paul, Leduc Calmar, Hanna and Drumheller. In British Columbia, Bottled Gas Ltd. serves LPG around Victoria and Vancouver, and there's a natural gas distributing company in Fort St. John. In Ontario, manufactured gas is supplied to Sault Ste. Marie, and bottled gas in nearby towns — including the famous Blind River uranium region. Except at St. Paul, Alberta, all the gas is bought from others.

Even though much of the company's effort has been directed, up to now, to expansion and assimilation of new properties, there has been an interesting increase in net from $60,000 for year ended Dec. 31, 1952 to $248,000 for 12 months ended June 30, 1955. This last figure works out to 36c a share on the common, then outstanding.

But the big story here is the tie-in with the coming Trans Canada Pipe Line. The franchise to serve Brandon, second largest city in Manitoba, was granted last October, and facilities will be built to take gas from the Alberta-Manitoba branch of Trans Canada. In Ontario, Great Northern has an interest in Lakeland Natural Gas Company with many franchised towns along the Toronto-Montreal section of the forthcoming pipeline. This Lakeland deal might prove the tail that wags the dog—it has a really big potential.

The choice for the investor in Great Northern Gas is fourfold. There are the 4½% debentures, "cum warrants" as they say in Canada. They sell around 103 and carry warrants (per $1,000 bond) to purchase 35 shares of common at $5 till Dec. 14, 1958 (higher prices after that). There's a $2.50 preferred; the common selling around 7¼ (listed in Toronto) and the warrants which sell at $3.50. In Great Northern Gas Utilities, you have some earning power already, and quite an assortment of possibilities to increase it, what with new low cost fuel ahead, and a burgeoning group of service areas. New York Capital Fund and Scudder Fund of Canada are common stockholders.

Inland Natural Gas Ltd. is another logical beneficiary of pipeline supply. Here we have a company created in 1952 as a holding company, designed to distribute (under franchise from Westcoast Transmission) natural gas in a number of British Columbia communities including Prince George, Kamloops, Quesnel, Merritt and Princeton. By something more than a coincidence, the route of the Westcoast line runs through all of these points. Inland has presently two small pipelines, one 18 miles long (Peace River Transmission Co. Ltd.) and another 55 miles long (Grand Prairie Transmission) delivering gas from the Roycroft field to towns in North Alberta. There are 2,175,000 shares of Inland Natural Gas Ltd. common listed on the Vancouver Stock Exchange. The present quote is $3.75. The future here is based (1) on existing pipelines, (2) owned gas reserves estimated at nearly $5 million and (3) the big possible expansion in British Columbia distribution feeding off the pipeline.

These three companies have been selected to present good examples of small, growing, well managed natural gas companies early in their corporate life. Their shares have obviously not yet attained any broad investor acceptance. While none of these may ever become another International Utilities, their common shares do seem to possess somewhat more substance and less market risk than many issues you might cite at, or below, the $10 level. Actual gas deliveries from big pipes can do all three of these a lot of good.

As long as we're talking about the beneficiaries, a word or two about the producers might not be amiss. Probably the biggest one is **Pacific Petroleums** which has already advanced over $2¾ million to Westcoast Transmission, and should in due course receive 1,000,000 shares of the hard-to-get Westcoast common. Pacific Pete should thus benefit twice — from sale of its gas to Westcoast, and from being the largest Canadian shareholder in Westcoast. As extras in the Pacific Pete picture, there are also some oil productions, and sales of natural gas by products. If you are unable to get a subscription to Westcoast common filled, you can be sure to share in that equity indirectly, by owning Pacific Pete.

Other gas producers in the Canadian west, who will deliver to the pipeline are **Peace River Natural Gas,** also **Canadian Atlantic** and, already mentioned Inland Gas. These producers have already developed reserves on the basis of which the pipeline was first deemed feasible. They will be suppliers and they can, by expanded drilling probably find a lot more gas, now that the Westcoast line is less than two years away, and a fine market assured.

In earlier days, a town or city would start to blossom, economically, the moment a rail line reached out to it. Today, in many instances, the arrival of a major gas pipeline to serve a community produces a similar tonic industrial effect. The beneficiaries of natural gas pipelines are myriad. Stockholders, too, can be beneficiaries for gas is a many burnered thing.

Continued from page 2

The Security I Like Best

reputation borne out by the good record that the company has made.

Since the issuance of the convertible debentures, the company has announced that it would cease to pay stock dividends and would pay only cash dividends beginning with a 40 cent quarterly disbursement made in December. The yield is, therefore, close to 5% on the present price of the stock.

Allowing for a further increase in Gross National Product, based on greater productivity per man-hour, a larger population, some further decline in the value of the dollar, etc., it would seem reasonable to project earnings on the present stock of the company at the average rate of at least $5 a share a few years hence. On this basis, it would appear, even allowing for dilution, that the stock should sell at well over 40. The conversion feature, accordingly, should provide for satisfactory appreciation in the issue along with a well secured, reasonable rate of return during the holding period.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Energy Review—New booklet—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Fusion Confusion—Quarterly report containing commentary on fusion, thorium, and uranium oversupply—atomic map also available—both contain portfolio as of Sept. 30, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Automation and the Machine Tool Stocks—Analysis with particular reference to **National Acme, Monarch Machine Tool** and **Cincinnati Milling**—Dreyfus and Co., 50 Broadway, New York 4, N. Y.

Bank Earnings—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Dividend Payers for Long Term Investment—List of securities—Hirsch & Co., 655 Madison Avenue, New York, N. Y.

Equipment Trust Certificates—Semi-annual appraisal—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese-U. S. Taxation Conventions — Analysis — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue "Nomura's Investors Beacon" are discussions of **Bank Rates**, and analysis of **Business Results and Outlook**, and analyses of **Mitsui Chemical Industry Co., Ltd., Sumitomo Chemical Co., Ltd., Tokyo Gas Co., Ltd.,** and **Tokyo Electric Power Co., Ltd.**

Life Insurance Stocks — Sixth edition of special bulletin entitled "12 Reasons for Investing in Life Insurance Stocks"—$1.00 per copy—J. H. Goddard & Co., Inc., 85 Devonshire Street, Boston 9, Mass.

Municipal Bond Market—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pacific Coast Storm—And its effect on West Coast securities—Bulletin—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Railroad Outlook for 1956—Bulletin—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Ten Stocks for Capital Appreciation in 1956—Bulletin—L. S. Jackson & Company, Limited, 132 St. James Street, West, Montreal, Que., Canada.

* * *

American Express Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Basic Atomics, Inc.—Circular—J. F. Reilly & Co., Inc., 42 Broadway, New York 4, N. Y.

Bendix Aviation—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Blaw-Knox Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Pabco Products, Inc.**

Brewster Bartle Drilling Co.—Memorandum—Rowles, Winston & Co., City National Bank Building, Houston 2, Texas.

Bymart-Tintair, Inc.—Report—General Investing Corporation, 80 Wall Street, New York 5, N. Y.

Clevite Corporation—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Emerson Electric—Bulletin—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Flying Tiger Line, Inc.—Bulletin—$2.00 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

General American Oil Company of Texas—Analysis—P. W. Brooks & Co., Incorporated, 115 Broadway, New York 6, New York.

General Controls Co.—Analysis—Paine, Webber, Jackson & Curtis, 626 South Spring Street, Los Angeles 14, Calif.

General Dynamics—Analysis—Goodbody & Co., 60 East 42nd Street, New York 17, N. Y.

Gillette Co.—Memorandum—Talmage & Co., 111 Broadway New York 6, N. Y.

Investors Diversified Services, Inc.—Revised study—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Kensico Cemetery Land Share Certificates—Bulletin—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Pigeon-Hole Parking Inc.—Analysis—Blair F. Claybaugh & Co., 1714 North Second Street, Harrisburg, Pa.

Rhodesian Selection Trust Ltd. — Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Riverside Cement Co.—New views—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

White Eagle Oil Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

From Washington Ahead of the News

By CARLISLE BARGERON

Over the New Year's weekend photographs appeared in newspapers throughout the country of two of the Senate's most outstanding men—Senators George and Byrd — with the caption that these long time friends had come to a parting of the ways—on the important matter of tax reduction. Sen. George favors it; Sen. Byrd is against. Here is a prediction. Senator Byrd will prevail and there won't be the slightest ruffled feelings between the two men.

Carlisle Bargeron

This situation is a key to what you may expect of the new session of Congress. Senator George is up for reelection; Senator Byrd is not. Senator Byrd knows very well why Senator George has proposed a reduction and it is a very political reduction that he proposes, a $100 increase in exemptions. So Byrd won't worry or be the slightest bit annoyed when his old friend takes the Senate floor to push his proposal. Indeed, he will want George to make as much political capital as possible. But in the end, Byrd will very likely sit tight on any tax reduction proposals and he is the Chairman of the Senate Finance Committee through which any such proposals must go.

For George to be pursuing this obvious political tactic doesn't diminish his stature in the slightest. He represents a state that is not as advanced as he is and if old Gene Talmadge's son, Herman, runs against him as it is generally expected he will, demagoguery will run rout. Indeed, George's leadership in foreign affairs, for which his greatness is now being proclaimed far and wide, will be a chief issue Talmadge will use against him, or rather a twist on it will. This leadership in foreign affairs has brought George in close and intimate association with Eisenhower. You would think this would be a distinct asset. Wait and see how the twist which Talmadge intends to give to it proves it to be an asset or not.

The Eisenhower Administration is the one that gave the coup d'grace to Georgia's opposition to integration of the races in the public schools. Truman was widely unpopular in the South because of his support of the old FEPC and this figured tremendously in the Democrats' loss of several southern states in the 1952 Presidential election. Eisenhower's popularity was a factor, of course. The Eisenhower Administration has accomplished what not even Roosevelt or Truman could ever accomplish.

The feeling in most of the South today is such that an able politician such as Herman Talmadge is admitted to be, considers that he has a successful issue against George because of his association with Eisenhower.

To fully understand American politics you should follow the campaign in Georgia, assuming it is to be Talmadge versus George. You should hear some of the speeches that a man of George's high caliber will be forced to make in the back woods.

I was associated with him in his 1938 campaign when Roosevelt for no earthly reason except to satisfy the young New Dealers around him, was trying to purge George. The Senator had to get down from his high plateau of statesmanship and deplore the anti-lynching bill. Over his dead body, he declared until the perspiration in the hot Georgia clime would make him wringing wet, would this legislation be imposed upon the State of Georgia. He will be talking that way about the Supreme Court's anti-segregation decision this time. He will have to.

Take Senator Douglas of Illinois, widely hailed by the "liberals" as the very best that can be expected in the way of Senator. Completely detached from politics, these "liberals" say, solely a searcher after the truth, schooled in economics.

I have never subscribed to the Senator's detachment from politics or the perfection which the "liberals" attribute to him. But anyway, he is up for reelection this year and it must make the "liberals" blush to see him in action, except that he is pursuing give-aways to the needy which is up the "liberals'" alley. The Senator wants more money for homes for the oldsters, more money for Federal aid in medicine, more money for Federal housing, money for Federal aid to education. Just how the Senator can square all of this additional Federal generosity with his knowledge of economics is yet to be explained.

But the picture of the Congressional session is that those up for reelection will be for more appropriations and less taxes and, inasmuch as all members of the House are up for reelection, you can expect a carnival there. It will be up to the 64 Senators not up for reelection to hold the fort. And the racial controversy will probably hold it in the matter of housing and education.

NSTA Notes

Harold B. Smith

Harold B. Smith, Manager of Pershing & Company's Unlisted Department, has been reported ill in Doctor's Hospital, Freeport, Long Island, N. Y. Mr. Smith will be confined for several weeks, and while no visitors are allowed at present, we are sure he would appreciate receiving cards from his friends.

Continued on page 46

Janney Dulles & Co. Formed in Phila.

PHILADELPHIA, Pa. — Janney & Co. and Wurts, Dulles & Co. have been consolidated under the name of Janney Dulles & Co., Inc. The firm holds membership in the New York and Philadelphia-Baltimore Stock Exchanges.

Until the new and larger Philadelphia quarters are completed (about Feb. 15) in the Central-Penn National Bank Building, the present offices at both 1529 Walnut Street and 1416 Chestnut St. will be retained.

T. E. Brittingham Opens

(Special to The Financial Chronicle)

WILMINGTON, Del. — Thomas E. Brittingham, Jr., is engaging in a securities business from offices in the Delaware Trust Building.

Forms Central Secs. Co.

Joseph Shernov is engaging in a securities business from offices at 135 Broadway, New York City, under the firm name of Central Securities Co.

Bruns Nordeman Branch

ATLANTA, Ga.—Bruns, Nordeman & Co., members of the New York Stock Exchange, have opened a branch office in the Walton Building.

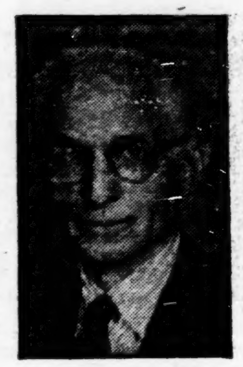
In Memoriam

AARON M. SAKOLSKI

1880—1955

"His life was gentle; and the elements
So mixed in him, that Nature
might stand up
And say to all the world,
This was a MAN!"

Dr. Aaron M. Sakolski, one of the most beloved and respected members of the *Chronicle's* editorial echelon during its 116 years of existence, was fatally injured in an auto accident while en route to his country home in Riegelsville, Pennsylvania, last Thursday, December 29. A sister, Miss Esther Sakolski, survives.



A. M. Sakolski

To us all on the *Chronicle* staff, Dr. Sakolski was a brilliant contemporary whom we considered both a friend and a colleague.

Dr. Sakolski was modest in his bearing and address, an example of self-effacement, gifted with a gentle manner, and an interesting conversationalist. He exemplified in his lifetime the elements of a lovable person, a good soul and an interesting personality. He was endowed with a wonderful retrospective mind and had a hopeful outlook on life besides being a philosopher and scholar who loved his fellow man. He was in every sense of the word both a gentleman and an altruistic thinker throughout his editorial career.

Few men in and out of Wall Street possess the versatility of our Dr. Sakolski who was born in Baltimore, May 12, 1880. He was the recipient of a Ph. B. and Ph. D. degree from Syracuse University and Johns Hopkins.

Dr. Sakolski was a financial statistician and economist since 1905, instructor in finance at New York University from 1910-24, served as a Valuation expert for the D. & H. Railroad 1914-1917; examiner of the Federal Trade Commission 1917-1919, becoming statistician and economist for Paine, Webber & Co. (now Paine, Webber, Jackson & Curtis), New York City, 1922-31; Assistant Professor in the College of the City of New York until 1947, and finally assistant to the Editor of the *Financial Chronicle* since 1944.

Besides his editorial gifts, Dr. Sakolski was the author of a number of books, which included a wide range of topics, including:

Finances of American Trade Unions, 1906;
Condition of Entrance to Principal Trades (with Walter E. Weyl), 1906;
American Railroad Economics, 1913;
Railroad Securities, 1921;
Elements of Bond Investment, 1921;
The Analysis of Financial Statements, 1923;
Principles of Investment (with Myron L. Hoch) 1925;
The Evolution of American Economic Life, 1935.
Contributor to *American Business Practice*, 1931;
The Great American Land Bubble (with Myron L. Hoch) 1932; and
American Economic Development, 1936.

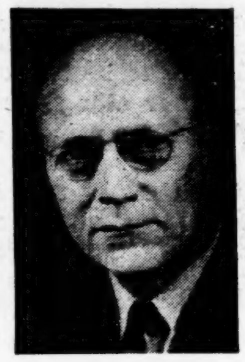
The Editor and Publisher and members of the *Commercial and Financial Chronicle* staff believe that the world has lost a valiant soul at a time when our country needs men of Aaron Sakolski's calibre.

Agricultural Price Supports and Production Controls in 1956

By O. B. JESNESS*
Head, Department of Agricultural Economics
University of Minnesota

After discussing the legislation relating to price supports and production controls in agriculture, and the problems arising from the general program, Prof. Jesness finds that our farm surplus problem comes partly from a carry-over of war expansion, and partly from the increase in agricultural productivity. Holds, since the situation varies from commodity to commodity, it needs a varied rather than a blanket solution. Discusses the "Soil Fertility Bank" proposal. Expresses doubt regarding figures concerning the disparities of farm and non-farm income, and lays much of existing trouble to small individual farm holdings. Calls for statesmanship and not political expediency in solving the problem.

The eyes of the seekers of political office are fixed on the Tuesday next November, now about 10 months away, when the voters will call the turn. The price and income difficulties of agriculture at a time when most of the rest of the economy is booming make the farm problem a "natural" for political haymaking. The topic assigned for this discussion implies a forecast. The direction is not too difficult to foresee; the matter of degree is something else.



Dr. O. B. Jesness

Price supports are viewed as income help while production controls, at least for the one who is controlled, are income limiters. That gives grounds for expecting that promises for more and better supports will be rather general, while threats of controls will be soft pedaled. Anyone who would forecast in the face of this situation an elimination or sharp reduction in price supports in 1956 certainly would do so with a man-sized tongue in cheek.

Argument Relates to Level of Price Supports

The current argument about price supports is primarily over their level, not their retention or abolition. Specifically, it is over whether the flexible supports provided under existing law shall be permitted to go into effect or the rigid 90% of parity supports are to be restored. As most of us well know, the support program is not all-inclusive. The 90% supports in recent years have been mandatory on only the six so-called "basic" crops—wheat, cotton, corn, tobacco, rice, and peanuts. Specified supports or ranges apply to a few other lines such as dairy products, sugar and wool. Supports on other products are within the discretion of the Secretary of Agriculture, subject, of course, to need and the availability of funds. The battle, hence, is not one in which all agriculture is united. For example, the sentiment among western cattle men appears to run against supports and controls. Tobacco growers, on the other hand, seem to favor the program very strongly.

The question, consequently, is not one on which Republicans and Democrats, farmers and city dwellers, are nicely lined up on opposite sides. A Democratic Senator from a livestock state such as New Mexico may find it easier to be for flexible supports than a Republican Senator from a wheat state such as North Dakota. Some labor leaders are on the side of an extension of 90% supports, perhaps not entirely without hope that this may win votes for some of labor's legislative programs. Besides, many city people are aware of the farmer's plight and some of them take for granted that the higher support levels provide the remedy.

The House took action to restore the 90% level on basics during the last session. The question was not brought to a vote in the Senate. Some observers saw the delay as political strategy. The present guessing runs in the direction of expecting the Senate to act and that passage probably is assured because Democrats will see an opportunity to put the Administration on the spot and also because some Republicans from certain farm states can be expected to help the move along. The guess then is that the bill will feel the veto axe and that it is unlikely that enough votes can be mustered to override. If this should be the outcome, the battle lines will be drawn.

Aspects of the 1956 Picture

However, there are other aspects of the 1956 picture. The voters clearly are not unmindful of the investment the public has in the some $7 billion invested in stocks and of the annual cost of the program. The urge for reduced expenditure which will permit tax reduction while bringing the budget into balance also has a good deal of political strength. One of the penalties of the price support program has been its effect on production and surplus accumulations. Realization of this aspect of the problem is showing up with increasing frequency in suggestions that the program needs revamping. The determination of the Administration to continue the flexible program is expected to lead it to come up with various other proposals to alleviate farm ills. The political arena seems to be set for a combat to see who can promise the most.

There will be a plentiful supply of farm bills in the legislative hopper this session. Some of them may be tied in with a return to rigid supports with the idea of making the combination so appealing that the President will be hard put to it to exercise his

Continued on page 20

*An address by Prof. Jesness at the National Agricultural Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Dec. 3, 1955.

Long-Range Implications of The Social Security Program

By RAY D. MURPHY*

President, The Equitable Life Assurance Society of the United States

President, Life Insurance Association of America

Prominent life company official views social security as a major influence on life insurance industry and the national economy. Favors study depicting point where continued even-numbered year benefit increases might be harmful. Raises questions regarding impact of social security with respect to: (1) impairment of investment incentives; (2) inflationary consequences; (3) burden on national productivity; and (4) inter-relationship of private pension plans and savings.

Today I wish to speak particularly of the benefits which the nation is providing out of taxation under the Social Security Act. From a long-range standpoint, social security is a major issue for the American people as a whole, and it is of course of particular interest and concern to us in the life insurance field. In fact, I think I can safely say, in looking ahead, that there is no domestic public issue of greater long-range influence on life insurance than is governmental social security. I am not emphasizing simply what some may think of as a competitive influence on our business, rather I am thinking of the effect of such governmental measure on the economy within which we all must live and produce.

R. D. Murphy

We probably do not all approach this subject with the same basic philosophy regarding the nature and extent of governmental responsibility for the aged and other special categories of our people. I think, however, I can state one proposition to which everyone here will agree. It is simply this: whether governmental social security is a good thing or a bad thing, whether it has been developed properly or improperly, we cannot go on adopting substantial increases in benefits in the law every even-numbered year without sooner or later reaching a point where social security becomes clearly harmful to the American people.

Perhaps it goes without saying that Congress has a great responsibility in this matter. So do we all. We in this business have a peculiar obligation to our fellow citizens to bring out all available facts and lay them before the people.

A Confused Situation

Let me illustrate the confused situation we are in now. With every increase in benefits to the elderly, larger payments are provided to them while taxes on wages are still kept substantially below the rate which will ultimately be necessary to support such increased benefits. Why shouldn't the elderly be in favor of the increase? Why shouldn't all those looking forward to retirement within a few years favor the change? How little do the younger active workers realize the ultimate taxes they will eventually pay, as long as their current taxes are held well below the ultimate level? Out of such situations we cannot expect popular appreciation of the whole problem, and we can expect uninformed political pressure for recurring liberalizations of benefits.

*From an address by Mr. Murphy before the 49th Annual Meeting of the Life Insurance Association of America, New York City, Dec. 14, 1955.

These observations suggest this question: Is there any objective way to pin down the approximate point at which social security begins to go beyond its range of possible usefulness and demonstrably begins to damage the American economy, and hence the American people and the American way of life?

Several of us have been groping toward a correct formulation of this general question, and have been searching for a way in which it might be answered. Obviously, it can be answered, if at all, only through a research study of the right sort. Now I know there have been a great many studies of social security and related programs in the past two decades, both governmental and private. But these studies have mainly focused on the question of how best to recast the technical provisions of the Social Security Act in order that it may most effectively serve its social and humanitarian purposes.

So far, no broad study in the United States has approached social security with the aim of measuring its long-range consequences on the American economy. Yet so vast an undertaking as social security, in all its ramifications, and with its commitments to pay rapidly mounting benefits, with the aggregate increasing indefinitely into the next century and beyond—such an undertaking is bound to have tremendous consequences for our economy. And each time the law is liberalized or expanded, these tremendous consequences are magnified.

I do not profess to be an economist, and I cannot tell you how an economist would go about studying the economics of social security. But I can at least list some illustrative questions that should be explored — and answered, if at all possible.

Questions Needing Answers

For one thing, we know that the future burdensomeness of the Federal OASI system, and of other provisions for retirement security, will depend in large part on the future productiveness of the American economy. Will the increasing benefit disbursements, now foreseeable, make inroads on the living standards of self-supporting people, or can such inroads be prevented by increases in national productivity? In fact, to maintain incentives for wholehearted productive effort, will not gradual increases in the living standards of the self-supporting be needed?

From another standpoint, gains in national productivity must stem largely from continuing investments in new productive plants and equipment. What incentives will be needed to attract such a flow of investment? What will be the effect of rapidly expanding social security on such incentives?

Another avenue to explore is the inflationary or deflationary implications of social security. For social security provisions to be most effective, should not the benefits have stable purchasing power? What level of benefits, and what method of financing them, would be most helpful toward maintaining stable prices? Would an attempt to give a disproportionate share of national production to social security beneficiaries, at the expense of productive elements in the population, lead to inflation?

Still another facet of the general problem needing exploration is the interrelationships among old-age assistance, the OASI system, and private pension plans. By and large, the level of social security benefits is a determinant of the area in which private pension plans may operate. Of what economic significance is the advance funding—or savings—element in such private plans? Will the funding of private plans help significantly to finance the productive investments necessary to maintain continually increasing national output?

As a final illustration of what a study of social security economics might look into, let me mention the experience of foreign systems. England, to name one country, seems to be two or three decades further along the social security road than we are, at least in quite a few respects. What can we learn from the difficulties and problems now besetting the British? Can we profit from their mistakes? For instance, is it wise for us to be thinking about reducing the social security retirement age here, when the British are finding it necessary to consider increasing the retirement age there?

ED. NOTE—The final report of The National Bureau of Economic Research on its exploratory study of social security will be available in the near future.

Stone & Webster Appoints Officers

Stone & Webster Securities Corporation, 90 Broad Street, New York City, announces the appointment of the following assistant vice-presidents—Edward W. Holland, Assistant Sales Manager; Kenneth K. Mackey, Assistant Manager of Municipal Department; and Longley G. Walker, Assistant Manager of Research and Analysis. Stuart MacR. Wyeth in charge of the firm's Philadelphia office was also made an assistant vice-president.

Stern, Lauer Partners

Stern, Lauer & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that Peter E. Follar, Leon M. Yeager and Roland G. Russell have been admitted to the firm as general partners.

With Bruns, Nordeman

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Leo Cowan, William Denmark, Meyer Goldfield, Edward Levenson and Lawrence Lipkin have joined the staff of Shelley, Roberts & Co., 1610 Washington Avenue.

Davison Appointed by J. P. Morgan & Co.

Daniel P. Davison has been appointed an Assistant Secretary of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, it was announced by Henry C. Alexander, Chairman. Mr. Davison joined the Morgan bank recently after being an Associate in the New York law firm of White & Case. He was graduated from Yale in 1949 and from Harvard Law School in 1952.

Daniel P. Davison

M. C. Harris Partner of Baxter, Williams

Baxter, Williams & Co., 70 Pine Street, New York City, members of the Midwest Stock Exchange, announce that M. Chester Harris has become a general partner in the firm. Mr. Harris was previously with Reynolds & Co.

With Harold E. Wood Co.

ST. PAUL, Minn. — Charles T. Wood has joined the staff of Harold E. Wood & Company, First National Bank Buiding.

Stock Market Prospects

By BRADBURY K. THURLOW
Partner, Osborne & Thurlow, New York City
Members, New York Stock Exchange

Mr. Thurlow notes recent developments which have influenced stock market prices particularly the "blue chip" issues. Says one of the prime causes of the present bull market has been faith in the government's ability to prolong a boom and avoid a depression, and holds that, paradoxically, this may lead to the bull market's ultimate collapse. Mentions five groups of stocks as "favorites."

Since the writer is not possessed of the power of divination, I restrict my business forecasts to a summary of those observations of others which appear to be a more or less reasonable consensus: *Industrial production*, up 4%; *Housing*, down 7%; *Overall construction*, unchanged; *Automobiles*, down 15% to 20% (but 20% over 1954); *Steel production* unchanged with prices slightly higher; *Interest rates*, short-term, sharply lower; long-term, little changed; *Military expenses*, foreign aid and election year political spending, sharply higher.

B. K. Thurlow

To relate these projections to the more (for us) cogent problems of the stock market, we know of no better advice than that given by A. Wilfred May in "The Commercial and Financial Chronicle" of Dec. 8: "The rate at which the market will capitalize earnings . . . is a question for the crowd psychiatrist—not the economist or business forecaster." Stock prices are high historically, propelled by the psychology of business confidence and faith in the future, but supported not so much through speculative activity as by the negative influence of a punitive capital gains tax which discourages profit taking on successful investments in proportion as they have risen in price. Add to this the growing influence of institutions in the market (they now own an estimated 12½% of all common stocks outstanding and account for about 13% of average daily volume on the New York Stock Exchange), and one has a picture which is as easy to recognize as it is difficult to analyze.

The current high valuation of "blue chips" approaching records set in 1929 has led many a cautious investor to draw superficial conclusions of the most dire sort; and individous comparisons have even been made with the late stages of that famous orgy. But one need only look back to the records of the time in question (we suggest Galbraith's excellent study: *"The Stock Market Crash—1929"* as a good starter) to see how dead speculation still is. Much of the apparent disparity in the price of a few leading stocks has been brought about by the reluctance or timidity of the large institutional investors in buying anything except for the "Favorite Fifty."

If one looks at European markets, however, particularly those of France and Switzerland, where this institutional "scarcity factor" has even greater influence, one sees "blue chips" which have been selling on a 2% yield basis, or even higher for over a year. The prevalence of the same condition abroad obviously cannot justify new commitments in American high priced issues, particularly on a value basis, but it suggests that the situation may be more fundamental and permanent than some people think It is indeed difficult to see what factors can lead to a substantial or early decline in the price level of these leading stocks prior to a general reversal in investment psychology.

Such a reversal I foresee eventually, though not immediately. Our economy and the philosophy which directs it have evolved far from the *laissez-faire* capitalism of the 1920's. In my opinion, one of the prime causes of the present bull market has been faith in the Government's ability to prolong a boom and avoid a cyclical depression. Paradoxically, we believe that it will be the successful demonstration of this same ability under duress which will lead to the ultimate collapse of the present bull market. For everything has its price, and he is a fool indeed who expects to make money without taking risks. For in the last analysis, if there is no risk, what is the social (or political) justification of risk capital?

The Immediate Market Outlook

Leaving this unpleasant thought for future consideration, let us return to the more immediate problem of the market outlook during the next few months. Since 1953 our own market forecasts have been consistently incorrect in looking forward to a near-term period of intense speculative activity in which we could sell our stocks. Every time the activity seemed about to begin, however, the market would turn dull, or reactionary, or both; and every time the market corrected itself, it appeared to take a new lease on life, rising Antaeus-like stronger than ever after every fall. This sort of thing can in theory continue indefinitely, and makes it easy to justify projections of 600 and higher in the Dow-Jones Industrials.

I am still hopeful that the current rise will end in a period of speculative activity so that we shall have an easy way of knowing when to sell; but the stock market is not a charitable institution and may not prove any more obliging to the preconceived ideas of today than it has in the past. How many will pause today, for example, to shed a tear over the irrefutable, commonsense, unemotional logic of the formula plans which finished selling all their stocks in 1950 when the Dow-Jones Industrials rose above 200?

The present course of speculative interest may be influenced disproportionately by the President's health. It is my guess that he will run and be reelected, to the accompaniment of much optimism and proclamations of a golden age. If he doesn't run, one would expect a short-term reaction similar to, but milder than, that of last September. Under these conditions, it seems more profitable to invest in stocks than in cash.

What Stocks to Buy?

As to which stocks should be bought, the problem is, of course, more difficult. Nineteen fifty-five is closing with a gain of around 23% in the Dow-Jones Industrials, but many groups are lower now than they were a year ago. If the behavior of the market as a whole has not been particularly cyclical for the past 13 years, individual groups have been as much so as ever. With this in mind, I shall pick as favorites five groups. Two of these, the steels and the coppers, have been market leaders for the past few months, and I believe that they will continue to be so in 1956; one group, the aircrafts, has recovered from a severe reaction after shaking out a number of weak speculative holders; and two groups, farm equipments and liquors, seem, finally, to be turning after years of bad news and psychology.

As favored individual issues in these groups I like Youngstown Sheet & Tube (98), Interlake Iron (31), Phelps Dodge (58), Inspiration Copper (58), Boeing Airplane (80), General Precision Equipment (48), Deere (35), J. I. Case (18½), and National Distillers (21½).

Mitchell Curtis Opens

SAN FRANCISCO, Calif.—Mitchell T. Curtis is engaging in a securities business from offices at 156 Montgomery Street under the firm name of Mitchell T. Curtis & Co. Mr. Curtis was previously with Mutual Fund Associates and H. L. Jamieson Co., Inc.

Forms Harvell Inv. Co.

DENVER, Colo.—Jean Y. Harvell is engaging in a securities business from offices in the Travel Center Building under the firm name of Harvell Investment Company.

Ed Holander Opens

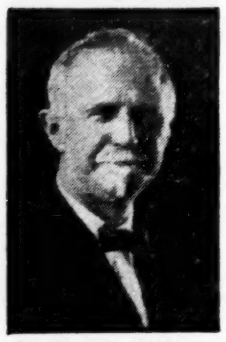
CEDAR RAPIDS, Iowa — Ed Hollander has formed the Ed Hollander Investment Company with offices at 1400 Second Avenue, Southeast, to engage in a securities business. Mr. Hollander was previously with Ernest Kosek & Co., and A. G. Heim Co.

Presidential Candidates

By ROGER W. BABSON

Mr. Babson evaluates prospective Republican and Democratic presidential candidates. Believes the degree of frequency of Ike's photograph in popular news media will indicate whether he will run or not. Cites "evidence" of President's desire to continue in office.

The most important comment in my last week's Forecast for 1956 was this statement of mine: "If no unforeseen event happens, President Eisenhower will be renominated and re-elected in 1956."



Roger W. Babson

I am no politician, but I do try to be an honest statistician. Hence, first let me dispose of the question of age. The President will be 66 in 1956. This would make him 70 by the close of his second term. His rivals, in both the Republican and Democratic parties, say he is "too old to run again." Yet, Warren of California is 64.

Let us discuss first the possible Republican candidates. My first choice would be Vice-President Nixon, who is an ideal man, at an ideal age of 42. Secretary of the Treasury George Humphrey, my second personal choice, is 65, but because of his success as a constructive businessman, I doubt if he could be elected. Next in order I would select Thomas E. Dewey, former Governor of New York. He probably is the ideal age, namely 53; but the party would be loth to nominate one who had been defeated twice, even though he is an excellent administrator. My fourth choice would be Secretary of State Dulles; but he is two years older than Mr. Eisenhower! The other active Republican aspirants are Senator William Knowland of California, 47; Presidential Assistant Harold Stassen of Pennsylvania, who is 48; and Governor Christian Herter of Massachusetts, who is 60.

What About Democratic Statistics?

Now let us apply statistics to the possible Democratic rivals. If the nominating convention were to be held this month, I am sure that ex-Governor Stevenson of Illinois (55 years old), candidate four years ago, would get the Democratic nomination. If Eisenhower should not run again, Stevenson would have a good chance of election; but not against Eisenhower as a candidate. This is in my humble opinion. As for Governor Harriman of New York, he surely could be featured as a "male-factor of great wealth" more than could Mr. Humphrey. Harriman probably never "earned a dollar in his life." He inherited his millions from his father, who was America's greatest railroad giant; while Humphrey started with nothing and earned his present wealth through developing coal, iron, and other mines. Let me say, however, that Harriman has probably had the best training and experience for the Presidency of any possible Democratic candidate. I have great respect for his knowledge and for his contacts in national and world politics. He is a "New Dealer"—which would help him with labor and probably with the great American public. Statistically the country is Democratic. Republicans should not forget this in their enthusiasm for Ike.

Among others commonly suggested, irrespective of party, are Kefauver (52), and Clement (35), both of Tennessee; Dirksen (60) of Illinois; Meyner (47) of New Jersey; Stratton (41) of Illinois; Symington (54) of Missouri; and Williams(44) of Michigan. I will also add that Ex-President Truman, at 71, may be a candidate. So much for statistics.

Consider Photography

This is an age of photographs. The successful magazines — such as "Life" and "Look" — are almost 85% photographs. Television is 96%, the movies are 98% photographs. Ike takes wonderful photos and his smile alone is worth millions of votes. But, photography is even used by us statisticians to forecast conditions. We can often predict what a man will do by studying the "setting" in which he allows his photo to be taken. Consider the following as evidence that Ike and Mrs. Doud want to be in the White House four more years, irrespective of what Mamie may want.

If Ike did not want to run again, he would have been wheeled onto the airplane which took him from Denver to Washington, in a wheel chair. This would have helped him in his desire for four years of quiet life at Gettysburg. But no, he ran up the airplane ramp like a young colt and waved to the people. He did the same upon arrival at Washington and Gettysburg. The plan of his managers is to have the voters entirely forget his illness. Watch the photos of him from now on. They will tell the story.

Brown Bros. Firm Admits Partners

Brown Brothers Harriman & Co., 59 Wall Street, New York 5, N. Y., members of the New York Stock Exchange, have admitted Elbridge T. Gerry and John C. West to general partnership.

Hayden, Stone & Co. Admit New Partners

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce the admission of Pierre R. Bretey, John J. McMahon and Lynn Shurtleff as general partners in their firm.

Fred E. Richard has been appointed Co-Manager of the 509 Fifth Avenue office.

With Pyne, Kendall

MONTCLAIR, N. J.—Daniel L. Reiber has become associated, as Registered Representative, with the Montclair, N. J., office of Pyne, Kendall & Hollister, 43 Church Street, members of the New York Stock Exchange and the American Stock Exchange.

1956 Profits and Dividends To Attain New High Levels

By CHARLES A. SCHMUTZ

President, Standard & Poor's Corporation, New York City

Head of large statistical organization forecasts a record high earnings of all corporations at $22½ billion, or slightly in excess of the 1950 record. Sees profits sustained, but because of manpower and production capacity limits, holds gains will be held to moderate proportions.

Shareowners of American corporations can look forward to another year of excellent earnings and dividends. We in the Standard & Poor's Corporation estimate that 1956 aggregate net income after taxes of all corporations will reach a new record high of $22.5 billion, compared with $21.3 billion (indicated) for 1955, $17.0 billion in 1954, and with the previous peak of $22.1 billion established in 1950.

Charles A. Schmutz

This forecast is based on our projections that the Gross National Product will increase 4%, surpassing $400 billion for the first time in history, that commodity prices will remain fairly stable, and that corporate income taxes will continue at the present 52% rate.

In general, 1956 profits promise to be sustained by the same combination of forces that produced the highly prosperous conditions in 1955, although manpower and productive capacity limits will tend to hold gains to more moderate proportions. Corporations will continue to benefit not only from mounting sales, but also from the wider profit margins which are a corollary of high volume. In addition, unit costs will be lowered through the operation of more efficient new facilities.

Moreover, the earnings now being reported have greater substance than in previous booms. In the first place, they are not swelled by inventory profits as in 1950. Second, true earning power of a large number of companies is considerably higher than shown in statements to shareholders, because of the penalizing impact of heavy charges for accelerated amortization.

Better Showings by Large Firms

Bright as the outlook is for all corporations, the prospects are even more promising for larger concerns of the type in which most investors are interested. The leaders are again expected to demonstrate the advantages of size, management, and diversification, as they have in the past few years.

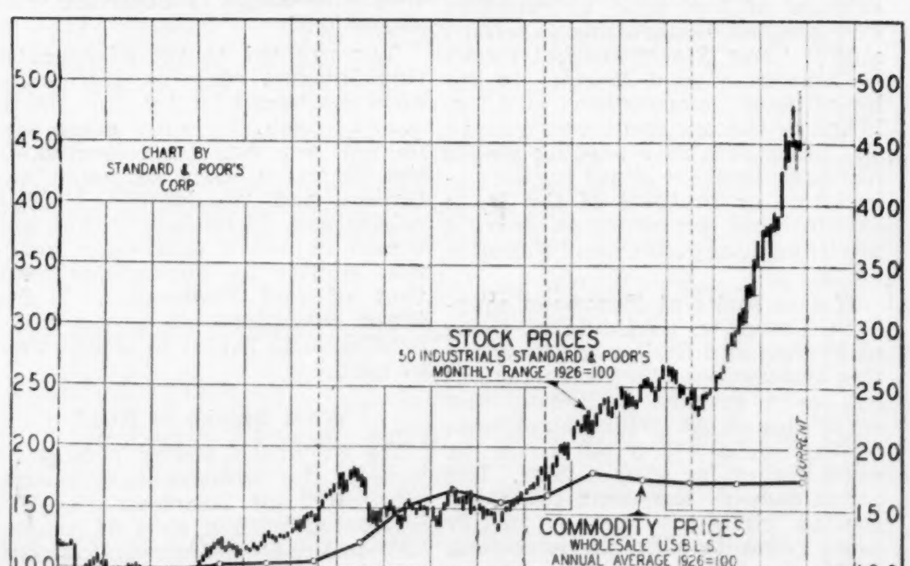
Companies represented in the Standard & Poor's daily index of 50 industrial stocks forged ahead to a new high in profits in 1955, whereas "all corporations" were still somewhat short of their 1950 record. Gains relative to 1954 levels were 32% and 25%, respectively. For 1956, we anticipate a further increase of about 8% for this group of concerns. As the following table shows, such a result, in terms of dollars per share adjusted to the index, would be more than triple the earnings realized in 1929.

	Net Income	Dividends		Net Income	Dividends
1956 Est.	$41.00	$21.00	1950	$29.16	$15.26
1955 Est.	37.90	17.30	1949	23.92	11.42
1954	28.76	15.62	1948	23.35	9.06
1953	25.92	14.64	1947	16.92	8.15
1952	24.56	14.33	1946	10.57	6.56
1951	25.30	14.44	1929	13.00	8.19

Larger Dividend Rise

The increase in dividend payments, we believe, will be proportionately larger than the rise in profits. Leading corporations were unusually conservative in their dividend policies during the greater part of 1955, and it was not until the closing months of the year that the payout was liberalized.

Even with another wave of expansion under way, it seems reasonable to expect that about half of earnings will be distributed to shareholders. On this basis, we look for dividends equal to about $21 a share on the 50 stocks in our daily industrial index, a level about 17% higher than in 1955 and 2½ times that of 1929.



The Economic Outlook

By ALAN H. TEMPLE*

Executive Vice-President,

The First National City Bank of New York

Leading bank economist expects business will continue good during 1956, but that thereafter the situation may become somewhat vulnerable. Predicts economic activity, with a likely rise of three to four percent in Gross National Product, may see its peak at mid-year, with entire year presenting a saucer-like picture. Concludes 1956 as a whole may turn out a better year than 1955.

The country is closing its busiest and most prosperous year with business activity at the highest point of the year. Although aggregate production and trade have been expanding for nearly a year and a half, the latest aggregate figures are still trending upward.

Alan H. Temple

The latest aggregate figures of industrial production and Gross National Product were the highest of any year. Price indices are trending upward. Bank credit is expanding. Surveys disclose business plant and capital expenditures still rising; with the latest estimates of personal expenditures on goods and services still favorable. The rate of increase of production and trade during much of 1955 has been between two and three times the long-term average growth.

Our expansion phase, which is one and one-half years old and still under way, may top off in the fairly near future. We cannot expect this rate to continue, but so far it has not topped off yet.

The recovery from the 1954 recession was faster than anyone expected. We had underestimated the accelerating effects of one industry on another. We had underestimated the rapidity of inventory liquidation. Personal confidence remained high, as reflected in its impact on automobile production and sales. The economy demonstrated the strength of stabilizing influences.

The Fillip to Confidence

Businessmen's confidence has been permanently increased by the experience of 1953-1954. Once we accept the lesson of that period, it is easy to be optimistic about the long-term future. Then there are the permanent and fundamental trends based on population increase projections; as well as the tremendous outpouring of the fruits of research and technical progress.

The most gigantic understatement I can make is that the economy will receive no fresh stimulus from automobile and housing comparable to what it received in 1955. The rate of expansion must slow down in part because there is no longer sufficient slack available in factory capacity, materials supply and labor supply to support continuation of the 1955 rate of increase. Moreover, no reasonable person expects that all of the industries which contributed so strongly to the 1955 rise can supply a fresh stimulus in 1956. The contribution that they will make in 1956 is fully reflected, to say the least, in our present activity. I would look for such signs as a decline in unfilled orders, cessation of inventory accumulation, cessation of expansion of installment credit. Largely for these reasons the recovery may reach its crest in the relatively near future.

But unfilled orders are still rising. Inventory accumulation is likely to go further before the trend reverses. And the lines of new installment loans and of repayments on outstanding loans have not yet crossed.

No Inverted V

Assuming that a peak is in the offing, it is highly improbable that it will take the shape of an inverted V. Only in case inventory accumulation speculation, and inflationary money or price-wage developments should run wild in the next few months would this be expected. The prospect rather is for a long crest or inverted saucer shape. While automobiles and housing may show some decline, they should still have a good year. And if their contribution to the Gross National Product is less than in 1955, there will be important offsets in other types of construction and public works and increased business expenditures for plant and equipment.

Auto and housing activity can be expected to show some declines, but not all out of bed. I have talked to some experts and they say average housing wants will be large, contain more gadgets and be more expensive; so the dollar total of housing will be large. In any event, offsets to possible declines in autos and housing will be given by highway and public works expenditures, and increased outlays for plant and equipment.

Industry is building ahead for that period when we will have 200 million in population, only 20 years from now. Progressive companies realize they are faced with intense competition, so are expanding their research and plant facilities. As long as research laboratories turn out new products, there is a certainty of expansion ahead. Capital expenditures must go on and heaven help the businessman who doesn't keep abreast.

Tax Reduction

We must realize that tax reduction is likely and this enters into the equation for the business forecast for 1956. It will be one of the strongest offsets to whatever decline we have.

The real weakness of our personal debt is that it has the same kind of unstabilizing influence on the economy as any other kind of debt. There is no justification for comparisons of consumer credit aggregates with general income or GNP figures.

1956 vs. 1955

A slow rise to a moderately higher top and a probable sideways movement or slow decline after the top could and probably will carry so far through 1956 as to make the year on the whole a slightly bigger year than 1955. We should consider this more satisfactory outcome than a continuation of the 1955 rate of increase. The economy is not free from strains, notably the expansion of debt at a rather rapid rate. The country is enjoying full employment and general prosperity. The strains are not producing cracks. The probabilities for 1956 should keep us optimistic. The dangers should keep us conservative!

*Excerpts from a talk by Mr. Temple before the joint meeting of the American Statistical Association and the American Economic Association, New York City, Dec. 28, 1955.

Westheimer Adds

WHEELING, W. Va. — W. P. Welker has become associated with Westheimer and Company, members of the New York Stock Exchange, as registered representative in the Wheeling office, Hotel McClure. Mr. Welker was formerly a trust officer for the Wheeling Dollar Savings & Trust Company.

R. A. Nubel Partner In Halle & Stieglitz

Halle & Stieglitz, 52 Wall St., New York City, members of the New York Stock Exchange, announce that Robert A. Nubel has become a general partner in the firm.

Out-of-State Mortgage Investments by Savings Banks

By JOHN J. REDFIELD*
Cadwalader, Wickersham & Taft, Attorneys, New York City

In discussing the advantages and disadvantages to savings banks in making out-of-state mortgage investments, Mr. Redfield notes as main problems: (1) compliance with local laws affecting the mortgagee's rights and remedies; (2) the question of doing business and exposure to local taxes, and (3) compliance with the requirements for maximum FHA insurance or VA guaranty. Urges any bank entering upon an out-of-state mortgage program inquire carefully in advance as to its legal requirements for acceptable mortgage investments

With today's pressure for higher and higher interest or dividend rates on savings deposits, savings bankers find it increasingly necessary to discover new sources of high investment yield. Although mortgages have traditionally met this need reasonably well, many banks for the first time have found their local supply of acceptable mortgage investments inadequate and have begun to face the problems involved in the purchase of out-of-state mortgages.

The investment laws of most of the 17 savings bank states have been liberalized, where necessary, to permit out-of-state investment in mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration. Since out-of-state conventional lending is usually more restricted, where permitted at all, it will be convenient to limit this discussion to FHA and VA loans.

There are substantial advantages to an out-of-state mortgage investment program. It permits geographical diversification which helps to protect the bank against economic fluctuations affecting only one region or a few industries. It allows placement of capital in areas not already saturated (and I am not referring to the recent weather we have been having around here!). As a result, many banks have found it possible to purchase out-of-state loans at a considerably greater discount than that available locally, with correspondingly favorable net yields. Even disregarding a greater discount, the banks have found higher quality investments at comparable rates in areas where demand for capital is greater compared with the home market.

You may naturally ask whether these benefits are offset by disadvantages. Are the new problems involved too burdensome for the small- or medium-sized savings bank to undertake? Before discussing these problems in detail, it should be said here that this field of investment has been found satisfactory by many smaller banks and that the obstacles are by no means impractical to meet.

Three Main Legal Problems

Briefly, an out-of-state lending program raises three main legal problems: The first is compliance with local laws affecting the mortgagee's rights and remedies; secondly, the question of "doing business" and exposure to local taxes; and, finally, compliance with the requirements for maximum FHA insurance of VA guaranty.

To meet the first problem, that of local mortgage laws and customs, the assistance of qualified counsel of the foreign jurisdiction is indispensable. There is a surprising variety of peculiarities of local law and custom which we have encountered in the some forty-odd states in which our clients have invested. These are too numerous to attempt to summarize, but by way of example, let me list a few of them. Louisiana, besides requiring the use of unfamiliar Civil Law forms, accords a "privilege" to certain debts of the mortgagor's estate, such as funeral charges, support of an indigent widow, and expenses of last illness, which places them ahead of the mortgage lien, thus in effect making the lien a possible second lien. This can be avoided, however, if the mortgage is a vendor's lien mortgage and contains a clause so reciting The Texas Constitution provides for homestead rights which are also ahead of the mortgage unless the mortgage represents a mechanics or purchase money lien. Title problems are raised, particularly in the Western states, by mineral extraction rights, which the investor must make sure do not carry with them a right of entry through the surface of the property. In Puerto Rico you have some more Civil Law elements to deal with, as well as a mortgage in two languages, with the consequent necessity of assuring correct translation.

There are various forms of mortgage taxes in some states, usually coupled with the provision that the mortgage is not enforceable until the tax thereon is paid. In addition to the New York mortgage tax, you find an intangibles tax in Indiana which requires revenue stamps, and in Georgia, which requires a clerk of court's receipt. Florida has a requirement that mortgagees must file with the State Insurance Commissioner a schedule of their requirements with respect to the acceptability of hazard insurance companies and agents, in order to enforce such requirements against the mortgagors. Some states, like Virginia, require no assignment of deeds of trust some states, like Ohio, permit assignments by means of marginal notations on the mortgages; and some states, like Maryland, require an assignment when the security takes the form of a mortgage but not when it takes the form of a deed of strust. Formalities of execution also differ. The absence of a notary's seal in New York is inconsequential but is a fatal defect in California and Texas. With true southern gallantry, Texas requires a special form of acknowledgment for a married lady which recites that the nature of the document was explained to her "privily and apart" from her husband. Laws affecting fixtures and chattel mortgages also vary from state to state.

You can see from the foregoing why the cooperation of local counsel is necessary, and I have not even touched upon the many varieties of laws affecting foreclosure, operation of foreclosed properties or local taxes. If a long range program is contemplated, the bank's general counsel should seek the basic opinion of local counsel regarding the requirements for a mortgage investment program, in so far as local law and custom are concerned. For the proper protection of the bank, the underlying advice of local counsel should be a continuing affair, brought up to date at least annually so that the bank may be aware of any new local laws or decisions affecting its rights and remedies in the state involved.

You may be interested in two brief examples of how subsequent advice from local counsel might affect the existing mortgage investments in the state concerned. In Michigan, following the advice of local counsel, we recommended that our clients qualify before investing in mortgages, even though such qualification involved a substantial risk of Michigan taxation and, in one case, involved payment of Michigan income taxes under protest and legal action for a refund thereof. In the middle of 1953 local counsel advised us of the passage of Michigan legislation permitting mortgage investment by unqualified foreign corporations in Michigan, the scope of permitted activities being

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*An address by Mr. Redfield at the 8th Annual Mid-Year meeting of the National Association of Mutual Savings Banks, New York City, Dec. 5, 1955.

The SEC and Regulation "A"

By ANDREW DOWNEY ORRICK*
Commissioner, Securities and Exchange Commission

Commissioner Orrick, commenting on the promotional nature of mining ventures and the exemption from registration requirements for securities issues under $300,000, as provided under Regulation A, reveals that stiffer requirements are proposed by the SEC for the use of Regulation A by promotional companies. Also maintains that it is advisable to provide new safeguards to protect public against broker-dealer insolvencies. Points out SEC is making objective study of the implications of the Fulbright-Klein Bill, which would subject the over-the-counter securities to SEC regulation.

The nation is grateful for the progress in the exploration and development of mineral resources that has been continuing on the Colorado Plateau during the past few years. The existence of a flourishing mining industry in this area is not only vital to the economic prosperity of the region but also is essential to the security of this country and the free world. Continuous availability of sources of capital to develop new and unseasoned enterprises from individuals who are willing to take the risk of uncertain, speculative investments is an essential ingredient of economic growth.

A. D. Orrick, Jr.

The raising of venture capital from the public for legitimate mining promotions should, therefore, not be stifled by unnecessary regulatory restrictions. Because mining is basically speculative in nature and the risks of success and the chances of exceptional returns are great, the enormous interest in the development of mineral resources has created serious problems both for the securities industry and this Commission. Irrespective of any legislation or regulatory controls, losses will be suffered by both promoters and investors in mining enterprises.

The mining industry, like other industries, is subject to the Securities Act of 1933 when it attempts to raise funds from the public. Under this Act, the Securities and Exchange Commission has the primary mandate of protecting the public by requiring full and fair disclosure of the character of the securities sold to the public and by preventing fraud in the sale of securities. Under the concepts of full publicity of material facts inherent in the philosophy of the securities acts, the public investor is entitled to certain basic, minimal information about the enterprises to which he contributes his money. Some of these important disclosure requirements include a description of the business, its properties and securities, transactions between the issuing corporation and the promoters, accurate estimates of mineral reserves and mining profit margins, and the effect of stock dilution caused by the issuance of options and warrants to promoters and underwriters. In promotional issues, the Commission also requires the issuer to state prominently on the cover page or at the beginning of the prospectus or offering circular the speculative nature of the enterprise.

The Congress has permitted, and the Commission has by its rules implemented, simplified procedures for raising a limited amount of capital from the public. If the aggregate offering price of an issue does not exceed $300,000, the issue may not be subject to the full registration requirements of the Act but the terms and conditions prescribed in our Regulation A rules must be complied with. The number of filings under Regulation A in the Denver Office of the Commission during the calendar year 1954 totaled 338 for a gross aggregate offering price of over $59 million. From January to the middle of November, 1955, the number of filings increased to 427 for a gross aggregate offering price of more than $92 million. During the summer months of this year, which was the height of the uranium boom, the Denver filings averaged 51 per month. The number of Denver filings decreased during the month of October, 1955, to 20.

Our administrative task in processing Regulation A filings is two-fold. First, in its letters of comment the Commission assists issuers to comply with reasonable disclosure standards in the preparation of the offering circular. The responsibility for the accuracy and completeness of the information filed with the Commission, however, rests solely on the issuer and underwriter. Secondly, if the staff has reason to believe that a filing is tainted with fraud or has been prepared in a grossly inadequate manner, or if the exemption is not available to the issuer, the Commission issues an order denying or suspending the exemption. Cases involving fraud are referred to the Department of Justice for criminal prosecution. Of the 33 orders issued by the Commission since June 1 through Nov. 15, 1955, denying or suspending the Regulation A exemption, 10 have been made against the issues filed in the Denver Office.

Due to the intensity of the public speculative interest in uranium, the evils of high-pressure salesmanship has sometimes occurred in the distribution of the stock of small mining companies. In some instances, Regulation A has been used for purely stock-jobbing purposes. Offerings have been withdrawn as soon as sufficient securities have been sold to pay the claims of promoters and the commissions and expenses of underwriters. The insiders walk away from the deal and the public investor is left with a worthless equity in a company without operating funds. Other promotional issues have been heavily weighted against the public investor, who has furnished all the cash capital, through the issuance of warrants and options to promoters and underwriters. Sometimes, the underwriters have received more than a third of the total gross proceeds from the public distribution in commissions and expenses.

Public investors will continue to show confidence in the mining industry by contributing capital toward enterprises only if the promoters and broker-dealers treat them fairly. Existence of over-reaching or fraud on the part of promoters or underwriters inevitably injures the entire mining and securities industry in this region as well as the persons and companies particularly involved.

The Commission has attempted

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*An address by Commissioner Orrick at Salt Lake City, Utah.

Problems Relating to Currency Convertibility

By E. M. BERNSTEIN*

Director of the Department of Research and Statistics, International Monetary Fund

In pointing out currency convertibility is an essential requirement of multilateral trade, and this convertibility would end discrimination in international trade, International Monetary Fund expert contends that if currencies of the great trading countries were made convertible, a general system of multilateral trade would follow. Cites provisions in International Monetary Fund agreement for establishing and maintaining convertibility of currencies of member nations, but this objective, he points out, was unattainable because of war dislocations. Reviews problems in the progress toward convertibility.

The central principle of a system of multilateral trade is that each country will buy the goods its people want to import in the best market—that is, where they pay the lowest prices; and that it will sell the goods its people produce for export in the best market—that is, where they receive the highest prices.

Convertibility and Multilateral Trade

Currency convertibility is an essential requirement of multilateral trade. For unless each country can use the proceeds of its exports to every country to pay for its imports from any country, it will be unable to buy and sell in the best markets. Without discussing the technical distinctions among various types of convertibility, it may be accepted that the currency convertibility with which we are concerned is that which will provide the financial basis for a general system of multilateral trade. We can think of convertibility in this sense as involving the right of exporters of other countries, receiving payment in that currency, to use the proceeds of their exports freely—to transfer the currency to other holders anywhere in payment for goods or services and to sell the currency in any market for dollars or any other currency.

E. M. Bernstein

The natural consequence of the convertibility of currencies would be the disappearance of discrimination in international trade and payments for balance of payments reasons. Most small countries are not in a position to determine independently whether to make their currencies convertible. At present, a considerable number of countries apply currency and country discrimination to their imports and other payments only because an important part of their receipts is in the form of inconvertible currencies. The few countries that make no distinction between their dollar and other payments (and have made their own currencies convertible) are able to do so largely because a substantial part of their exports is to the United States and other dollar countries.

The practical problem of establishing convertibility is confined to the leading currencies of Western and Northern Europe. The convertibility of sterling, one of the two principal reserve currencies, is clearly of strategic importance. The sterling area does more than 25% of total world trade, and the $10.8 billion of sterling balances represent about 30% of the gold and foreign exchange reserves of the free world outside the United States and the United Kingdom. It should be noted that sterling balances held by the monetary authorities of sterling area countries are convertible into dollars, but these countries are expected to apply much the same restraints as the United Kingdom on dollar payments.

*A statement by Dr. Bernstein to the Subcommittee on Foreign Economic Policy of the Joint Congressional Committee on the Economic Report. The views expressed by Dr. Bernstein are not necessarily those of the management of the International Monetary Fund.

If the currencies of the great trading countries were made convertible, a general system of multilateral trade would inevitably be restored, and trade and payments discriminations for balance of payments purposes would soon disappear. For no country can find it worthwhile to discriminate on a currency basis if all of its payments are made in equivalent currencies — that is, convertible currencies. Discrimination in trade on a country basis could, of course, persist, but its purpose would be mutual protection of import-export markets. Such discrimination is not likely to have the scope or to be on the scale of the payments discriminations that result from the inconvertibility of leading currencies.

A substantial degree of multilateralism in trade and payments has been achieved in recent years. The most important limitation on a general system of multilateral trade arises from the discriminations still applied against dollar imports and dollar payments. Such discriminations are obviously of special importance to the United States and Canada, and to other countries—Mexico, Venezuela, etc. —that do their business on a dollar basis. It would be a mistake, however, to assume that the wider establishment of convertibility would result in a large increase in the exports of the dollar countries. That is unlikely unless and until the gold and dollar earnings of the rest of the world increase to approximately the same extent. Convertibility would, however, bring an end to the discrimination which exposes all dollar exports to sudden and arbitrary curtailment.

Convertibility and the International Monetary Fund

The Articles of Agreement of the International Monetary Fund state that one of its objectives is "to assist in the establishment of a multilateral system of payments in respect of current transactions." To implement this objective, the Agreement provides that no member shall "engage in any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the Fund." The Agreement also provides that each member shall buy balances of its currency held by another member, paying for its currency either in the currency of the member making the request or in gold. These are the provisions that commit the members of the Fund to establishing and maintaining the convertibility of their currencies.

The Fund Agreement provides that "in the postwar transitional period members may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances . . . restrictions on payments and transfers for current international transactions." Members are committed, however, to withdraw restrictions when their payments position enables them to do so. This provision permits countries to restrict transfers of currencies and to discriminate in payments on the basis of the country to which or the currency in which payments are made. In brief, the temporary inconvertibility of currencies is authorized under the transitional arrangements of the Fund Agreement.

It is important to see why provision was made for the continuance of inconvertibility and other exchange restrictions during a postwar transitional period. The war involved far more destruction and disruption than is generally realized. A country like the United Kingdom, for example, put all of its resources into the war. Industrial investment was cut to the bone, consumption was severely restricted, and long-established export trade was abandoned for the duration of the war. A considerable amount of the gold and dollar reserves of the sterling area were spent and some of its most profitable foreign investments were sold to pay for war material procured abroad, principally in the United States, before Lend-Lease.

The most urgent task confronting these countries was to restore quickly their capacity to produce and to trade. Otherwise, the economic efficiency of these regions might have been seriously impaired for a long time, with incalculable loss to themselves and with a depressing effect throughout the world. Their reconstruction needs were expected to be exceptionally large; their resources were known to be small. The transitional arrangements, under which they could restrict transfers and payments on a discriminatory basis, were intended to enable them to conserve their resources for reconstruction.

With their own production far below prewar levels, the limited reserves of these countries could have been quickly dissipated in meeting the war-born hunger for goods. The United States and Canada were almost the only large sources of ready supply for goods of all kinds. By restricting their dollar purchases to the most essential goods, the countries engaged in reconstruction could begin to equip their factories and revive their own production. It is true that imports of some goods were permitted from other countries, even when imports of similar goods were severely restricted from dollar countries. The reason, however, was that such trade involved little or no drain on the gold and dollar reserves. With the necessity of providing billions of dollars in aid to hasten recovery, it could only add to the burden of the United States to insist on premature removal of restrictions against dollar imports.

It may be asked whether these countries could have conserved their gold and dollar resources for reconstruction without discriminations against dollar imports. Conceivably, they could have depreciated the dollar value of their currencies so much that it would not have been feasible for their people to buy dollar goods. In the abnormal conditions immediately after the war, devaluations on such a scale would have risked the utter destruction of confidence in European currencies. It would have forced an enormous rise in

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THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks started off a new year by confirming what a lot of the year-end forecasts had indicated — it probably is going to be a difficult year to pick the right issues and a lot of Washington developments are going to measure up importantly as far as the stock market is concerned.

The principal reason for a poor start this year were indications in Washington that new studies will be made of aircraft profits on defense work. It upset the plane makers and, in turn, the year's first market session, leaving uncertain action around that further chilled any great reinvestment rush.

Motors were in their familiar rut, heavy more times than not with Chrysler apparently a pet selling target. Of all the major segments of the economy, this is the one that is widely regarded as due for some sort of slowdown after last year's wild pace. The imponderables include how the suppliers, such as the steel mills, will fare with increased orders from other lines to offset a trim in their auto accounts.

The steel shares, while swaying with the market, didn't reflect any particular concern over the problem. For one, the preliminary estimates of 1956 profits were replete with forecasts of even more optimistic figures than the mills posted last year, and added additional protection to well-sheltered dividends that provide a yield above the average of the blue chips generally.

"The Stock of 1956"?

The hunt for the "stock of 1956" was in full cry and most of the attention was pretty well centered on the secondary issues that have done little up to here. To some, like Electric Storage Battery, the most frequent description is "a former blue chip."

The company ran into rough times after setting a sales peak in 1951 coincident with the Korean war buying splurge. Since then it has embarked on a three-year modernization program, retired its only outstanding debt through sale of its British affiliate, and concentrated operations to reduce personnel. Through this period its showing has been considerably less glowing than that of the other outfits that have participated fully in the boom and the stock reflected this marketwise. Now indications are that profit was enough to cover the dividend last year, which could mark the turning point, particularly since replacement demand for batteries from the heavy auto output, including the not quite 8,000,000 cars made last year, is starting to make itself felt.

Another issue that, in the opinion of some of the market spectators, could also be at a turning point is Clevite Corp., once heavily dependent on the auto industry to buy its bearings. Large-scale diversification was begun five years ago that now has whittled the percentage of the gross sales from the auto firms below 60% with further reductions all but inevitable. The new lines include electronic instruments, including one of the larger transistor makers in Europe, and an aviation affiliate specializing in jet engine blades and vanes.

A Merger Hopeful

The merger hopeful is Libby-McNeill & Libby which has more inherent worth than the price of the stock might indicate and which, off and on, has been mentioned with first one and then the other of the food giants. The company is regarded by several of these as a desirable property and while obviously not all of the links are possible, the chances seem to make some eventual merger, on advantageous terms, all but inevitable.

Some attention was being paid the companies who have been dabbling in the uranium field, such as Climax Molybdenum, to satisfy the demand that has definitely turned against the prime uranium speculations since the Securities and Exchange Commission launched its drive against some of the hazy promotions. Climax is actually working for the government's uranium program and will continue until at least 1962 under current contracts. Favoring a good 1956 showing for the company is a recent price increase on its products which hints at capacity production for most of the year if not all of it. Earnings have been moving steadily upward, prompting a higher dividend rate recently.

Dividend Boost for Neglected Blue Chip

The dividend specialty so far is Colgate-Palmolive, which has indicated that it intends to boost its payment at the first meeting this year. This giant in the detergent-toilet soap-toothpaste world might be considered a neglected blue chip since it has been available at around its 1946 high but nowhere near its all-time peak, while other household - word - issues have long since forged above anything even seen before. Colgate also has the important prop of large foreign sales.

American Safety Razor, apart from some troubles in recent years, could be another illustration, like Colgate, that a buried corporate identity might have its drawbacks. Both firms produce many familiar household products but probably few laymen could detail any of them fluently. American Safety is also a laggard by market standards and has been available recently at only a third of its 1946 peak. It has been busy with diversification that now has stretched to carpet looms and potential defense work to try to whittle the heavy dependency on blade and razor sales that has traditionally accounted for around four-fifths of its business. Modernization has also been pursued actively by American Safety.

Ready for a Rebound

Westinghouse, currently embroiled in a costly strike, is a favorite with a good number of market analysts who see no quick improvement but a definite undervaluation at present prices that should ultimately result in a rebound. The company is solidly engaged in atomic energy work including contracts for the first atomic plant of other than pilot-plant size, as well as reactors for not only submarine but larger ship propulsion from the government, plus other incidental atomic energy work.

Ford Impact

The technical debate about the market was to what extent reinvestment funds were being withheld from standard issues pending the sale of Ford Motor stock in mid-month. A concomitant question is where the money will go if, as seems probable at the moment, a lot of the demand for Ford goes unsatisfied as the offering is trimmed into small pieces. This, too, served to keep a cautious air over the market this week.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Analyzes 1953 Recession and Inflation Virus

"Monthly Letter" of the First National City Bank blames restrictive credit and curtailed government outlays for bursting 1953 bubble of overoptimism. Sees stable growth as widely accepted governmental responsibility, but finds our tolerance of debt build-up, borrowing exceeding savings, unwholesome use of Federal Reserve Credit may be due to a little too much inflation virus in our blood. Chronic mild inflation termed not the way to perpetual prosperity, with unsound governmental policies seen inducing general unsoundness. Public debt retirement sought ahead of enlarged outlays.

The January "Monthly Bank Letter" of the First National City Bank of New York finds that there is wide acceptance in including in government economic policy the objective and responsibility "to foster stable growth." The "Letter" reviews the policies pursued since World War II culminating in the prospect of a balanced budget for the first time in five years with the past year's record being almost too good to be true. The "Letter" notes, in part, as follows:

"Since 1952 we have successfully ended the Korean War, freed our markets from arbitrary controls, stimulated the wants and energies of our people, given them more efficient tools to spare labor, and built incredible numbers of new homes and cars, not to mention products practically unknown even 10 or 20 years ago. When people accept the fact that wonders will never end, we are in an era of forward-looking optimism.

"This is the season for New Year's resolutions and appraisals of 1956 business prospects. Confidence abounds, inspired by the 1955 performance, by the disposition of the Administration and Congress to reduce taxes as soon as possible, and by knowledge that the Federal Reserve stands ready to ease the availability of credit if more money is needed to keep the economy going full blast.

"It is an easy time to get carried away, as we have been carried away before, to lose balance and perspective, to become cocksure and careless. A sensible optimism is an essential to prosperity. Optimism running to uncontrolled excess has been our historical path to disaster. To be sure, this new era is different from anything previously experienced in history. But this may not save us from the consequences of raising our aspirations and expectations beyond possibility of fulfillment, and suffering the inevitable disappointments. Markets, populations, prices and profits have practical limits and at some point must fail to match the soaring fancies of the human mind.

"The best New Year's resolution is to avoid counting too many unhatched chickens. Though not generally adopted, this was the best resolution for 1920, 1929, 1937 and 1953. If we hold to it, another year of bounteous prosperity lies within grasp. We need balance and discretion among the leaders of industry, agriculture, and labor, and the people generally. More than that we need to have sound constructive policies on the part of government. Unsound policies of government are an irresistible inducement to unsound policies throughout.

"On the surface, government policies seem admirably adjusted to the needs for stable growth and unrivalled prosperity. If prosperity is to be prolonged, public policies will have to be sensitively adjusted, not only to short-run fluctuations, but also to corrosions going on insidiously beneath the surface.

A Look Back

"We may already have a bear by the tail. Back in 1953, a restrictive credit policy, along with scheduled curtailments of government outlays and deferment of tax reduction, burst a bubble of overoptimism. In the 1954 business recession we had tax reductions to support spending, and the Federal Reserve pushed the credit-expansion accelerator to the floorboard. The easing back on the accelerator in early 1955 was gentle and lenders did not get the feel of the brakes until summer.

"Perfect timing in credit policy changes cannot be expected. Statistics for the most recent weeks and months are tentative and subject to considerable corrections. But developed momentum constitutes a problem. The most threatening developments of 1955 were the upsurge of business optimism, dramatized by the steep rise in stock prices and generous

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A Communist Trade Offensive?

By PAUL EINZIG

London economist sees prospect of dumping by U.S.S.R. of consumer rather than capital goods in export market a threat to free world. Advises adjustment of free trade trend to cope with any Hitler-like attempt to weaken democratic countries.

LONDON, Eng.—Recent Russian offers of undertaking various capital projects — such as the building of the Assuan Dam in Egypt or the construction of a steel plant in India —in countries outside the Communist Group, attracted much attention in the free world. The prospects of a Communist trade offensive in the Middle East and elsewhere is causing concern in London and Washington where it is feared that the execution of such major capital projects would greatly increase Russian economic and political influence in the countries concerned. Yet the menace of a Communist trade offensive lies not so much in such capital projects as in the possibility of large-scale export of consumer goods by Soviet Russia and the satellite countries.

Paul Einzig

Indeed, any Russian commitment involving the export of capital goods to countries outside the Communist group would present considerable advantage from the point of view of the free world. In spite of the spectacular increase of Soviet Russia's producing capacity, capital equipment is none too plentiful. There is not enough of it even to meet the requirements of Soviet Russia's own ambitious plans of industrialization, let alone the insatiable appetite of Red China. The more capital equipment is exported outside the Communist world, the less will be available for the Communist world. Export of capital equipment on a substantial scale would slow down the expansion of the productive capacity of the Communist world. The gain of "neutral" countries would be the loss of the potential enemy.

Although individual British or American engineering firms would naturally deplore the loss of contracts, as a result of the Soviet trade offensive in the sphere of capital equipment, the Western World as a whole would not lose by it. Generally speaking, the demand for such equipment exceeds the producing capacity of the Western countries. If India, Egypt and China, were to buy less capital equipment from the Western countries, more would be available for the development of the resources of the countries which are politically in their camp.

Where the danger lies is in the possibility of a Soviet trade offensive in the form of dumping consumer goods on the free world. As a result of the increasing industrial producing capacity of Soviet Russia and some of her satellites, such as Czechoslovakia, Poland and Hungary, the Communist Bloc may soon be in a position to export manufactures on a large scale. It is true. demand for such consumer goods within the Communist group is virtually insatiable. But a totalitarian Government is in a position to continue to keep the consumers short of essential goods.

In a democratic country any Government which starves its own public of much-needed goods for the sake of exporting them in pursuing its power-politics would be defeated at the election. Not so in Russia. Already under the Tsarist regime it was an understood thing for Russia to over-export grain for the sake of maintaining the service of the external loans contracted for financing military preparations and the construction of strategic railways. The result was that the Russian people were kept in a state of semi-starvation. This was possible owing to the existence of a despotic regime which did not depend on a majority vote. Since the end of the Second World War history has repeated itself, in the sense that the Communist group exported timber, oil and grain, in spite of the great domestic need for these goods. It will be possible for the Soviet Government, should it wish to do so, to export large quantities of textiles or other consumer goods, by simply continuing to deprive the domestic consumer of the supplies of such goods.

Although it is natural that the Communist countries would wish to obtain the highest possible prices for their manufacturers, if Moscow should decide that larger quantities of them should be thrown on any particular market then considerations of price would play a secondary part. There is no need for the official Soviet exporting organization to show a profit on such transactions. If they are instructed to export, in pursuance of a trade offensive, they will cut prices until they can export the required quantity.

This means that the exporters of the democratic countries will be exposed to the risk of being undersold by Communist exports undertaken in the pursuit of Imperialist power politics, without regard to commercial considerations. If Moscow wants to create unemployment in the Lancashire textile industry, or in some other industry in a democratic country, it will order the dumping of the goods in question in the export markets of the industry in question.

Owing to their system of free trade, the democratic countries would be largely defenseless against such a trade offensive. Fortunately for them, even though considerable progress has been made towards the liberalization of trade during the last few years, most countries have retained some degree of defense in the form of import restrictions, quotas, etc. They are therefore in a position, unless they should weaken such defenses, to resist the Soviet trade offensive to some extent.

On the face of it, it appears to suit the interests of countries which have to import manufactures for meeting their consumer requirements, to buy them from the sellers who offer them at the lowest prices. Taking a broad view, however, this appears to be a very short-sighted policy. The gains achieved in the form of cheap goods would have to be paid for through the weakening of the economic power of the democratic countries. Any substantial decline of their exports would cause a deterioration of their balances of payments. Unemployment in the industries directly concerned would spread on other industries, causing discontent, and weakening the political position of their Governments. Surely this would be against the vital interests of the countries which depend on the strength of the democratic powers for their very existence as independent countries.

Having regard to the possibility of Communist trade offensive, it trade liberalization should be halted if not reversed. This is not the time for ideological free-trade dogmatism. The Communist world would be the chief beneficiary through the continuation of such a policy. It is to the interests of the democratic countries to take every possible defensive measure against such a trade offensive, and to make their preparations well before it actually materializes.

There is a great deal to be said for an expansion of East-West trade in non-strategic goods, provided that the Communist group observes the rules of the game and is guided by purely commercial considerations. But if Russia should embark on a trade offensive in the form of dumping large quantities of consumer goods on the markets of the industrial exporters of the West, then the democratic countries must tighten their economic defenses against such an act of economic aggression. It will be remembered that Hitler's wars of conquest were preceded, during the 'thirties, by such trade offensives in South Eastern Europe and elsewhere. From this point of view alone, Russian trade policies are well worth watching.

Nathan Krasner Opens

Nathan Krasner is engaging in a securities business from offices at 100 West 42nd Street, New York City.

J. F. Marshall V.-P. Of Loomis, Sayles

WASHINGTON, D. C.—Loomis, Sayles & Company, one of the leading Investment Counsel firms with headquarters in Boston, Mass., has announced the appointment of John Fellows Marshall as Vice-President in charge of its Washington office. Mr. Marshall succeeds Miss Doris Fielding Reid who has been manager and head counselor in the Washington office since 1943. Although Miss Reid has qualified for retirement, she will continue upon a consulting basis at the request of the firm.

Richard N. Taliaferro will continue as regional vice-president with his headquarters in Washington. M. Robert Deo, Frederick E. Howe and Miss Florence O'Donoghue complete the counselling staff in Washington.

Mr. Marshall grew up in Columbus, Ohio and graduated from Ohio State University in 1926. He graduated from the Harvard Graduate School of Business Administration in 1928 and joined Loomis, Sayles & Company in 1929. After 10 years in the Boston office, he was transferred to Loomis, Sayles' San Francisco office. During the war he served in the Navy as an Air Combat Intelligence Officer attached to the staff of Admiral William F. Halsey in the South Pacific and the Third Fleet. After the Japanese surrender, Mr. Marshall returned to the San Francisco office of Loomis, Sayles & Company. In 1950 he became manager and head counselor in San Francisco and continued in that capacity until he moved to Washington, D. C. during the past summer.

John Newey With Bache in Florida

ST. PETERSBURG, Fla. — Appointment of John W. Newey as manager of the St. Petersburg, Fla., office of Bache & Co., 556 Central Avenue, has been announced by Harold L. Bache, senior partner of the firm.

Mr. Newey returns to the investment banking field following several years in financial public relations, prior to which he had been financial Vice-President of United Air Lines. He is a former Governor of the Investment Bankers Association of America and a former President of the Bond Club of Chicago.

Jones, Kreeger Branch

LAKE WALES, Fla. — Jones, Kreeger & Hewitt, members of the New York Stock Exchange, have opened a branch office at Park Avenue and First Street under the management of Francis C. Buchanan.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Kenneth E. Black and Alex H. Sands, Jr., have been elected to the Advisory Committee of the Board of Directors of **Chemical**

Kenneth E. Black

Alex H. Sands, Jr.

Corn Exchange Bank of New York, it was announced on Dec. 30, by N. Baxter Jackson, Chairman. Mr. Black is President of The Home Insurance Company; Mr. Sands is Vice-President and director of Duke Power Company. Both Mr. Black and Mr. Sands are officers and directors of numerous other organizations.

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Dec. 31, '55 $	Sept. 30, '55 $
Total resources	3,156,073,953	2,904,650,566
Deposits	2,896,012,946	2,634,063,699
Cash and due from banks	967,546,895	723,899,789
U. S. Govt security holdings	506,550,128	563,300,501
Loans & discts.	1,306,904,413	1,222,789,664
Undiv. profs.	22,304,883	20,062,030

* * *

The First National City Bank of New York announced on Jan. 3, that it has opened a new overseas branch in **Jeddah, Saudi Arabia.** It is stated that it is the only branch of an American bank in Arabia and becomes the 66th of First National City's fully staffed overseas branches, offices, and affiliates. The bank's announcement states that Jeddah is the seat of many Government offices and departments and is the main Red Sea port of Saudi Arabia. It is the third branch of First National City to be opened in the Middle East. The bank also opened branches at Cairo, Egypt, and Beirut, Lebanon, during 1955. Chester B. Grant, who has served in the bank's overseas division since 1926, is the Manager of the new branch which is located on King Abdul Aziz Street.

* * *

The First National City Bank of New York, has announced the appointments of M. Gardner Patrick as Assistant Vice-President and John E. Bieber, Jr., as Assistant Cashier. Both are assigned to the Oveseas Division at the bank's head office in New York.

THE FIRST NATIONAL CITY BANK OF NEW YORK

	Dec. 31, '55 $	Sept. 30, '55 $
Total resources	7,001,296,521	6,703,126,941
Deposits	6,308,783,237	6,014,718,380
Cash and due from banks	1,616,567,604	1,457,015,975
U. S. Govt. security holdgs.	1,319,313,958	1,513,595,324
Loans & discts.	3,184,559,907	2,792,332,080
Undivid. profits	60,006,869	57,475,822

* * *

CITY BANK FARMERS TRUST CO., N. Y.

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	199,728,734	146,279,670
Deposits	160,441,391	108,419,882
Cash & due from banks	60,136,284	32,360,995
U. S. Govt. security holdings	105,158,048	79,689,289
Loans & discounts	3,125,293	4,367,796
Undivided profits	12,439,737	12,079,526

* * *

The Federation Bank & Trust Company of New York, Thomas J. Shanahan, President, has leased through the Charles F. Noyes Co., Inc., banking quarters in the Coliseum Tower Building at 10 Columbus Circle. The location will become the main office of the banking institution when the 26-story office structure is completed in April as part of the $30 million New York Coliseum project of the Triborough Bridge and Tunnel Authority. According to Edward E. McNally, Vice-President, and Thomas J. Farrell of the Noyes Company, the bank will occupy 12,500 sq. ft. on the ground floor, mezzanine, and second floor with street frontages on both Columbus Circle and West 58th Street. The lease term is for 20 years and involves, it is said, approximately $1,500,000 in rentals to be paid over the period. A feature of the interior layout will be the placing of bank vaults on the mezzanine instead of in the basement, an arrangement made necessary by the utilization of the basement as a parking garage.

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FEDERATION BANK AND TRUST CO., NEW YORK

	Dec. 31,'55	Sept. 30,'55
Total resources	$105,525,190	$94,211,193
Deposits	96,532,514	85,371,872
Cash & due from banks	16,430,816	11,070,886
U. S. Govt. security holdings	35,763,324	32,300,554
Loans & discounts	43,470,682	41,051,403
Undivided profits	753,721	733,770

* * *

The directors of **J. Henry Schroder Banking Corporation and Schroder Trust Company of New York,** announced on Dec. 29 the appointment of John Roebel as Assistant Secretary. Mr. Roebel, who joined the banks in 1949, is Manager of the Commercial Departments.

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J. HENRY SCHRODER BANKING CORP., NEW YORK

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	118,369,533	109,022,886
Deposits	80,780,124	74,432,737
Cash & due from banks	15,676,299	12,480,085
U. S. Govt. security holdings	46,553,091	43,705,451
Loans & discounts	25,592,590	22,515,121
Surplus and undivided profits	5,009,920	5,001,511

* * *

SCHRODER TRUST CO., NEW YORK

	Dec. 31,'55	Sept. 30,'55
Total resources	$71,583,244	$69,000,737
Deposits	64,680,591	62,186,375
Cash & due from banks	14,459,274	12,136,733
U. S. Govt. security holdings	43,434,329	40,568,336
Loans & discounts	12,740,460	15,369,891
Surplus and undivided profits	2,600,796	2,575,581

Opening of a Representative Office of **Manufacturers Trust Company of New York in Frankfurt am Main, Western Germany,** on Jan. 2, was announced on Dec. 29 by Horace C. Flanigan, President of the company, and Andrew L. Gomory, Senior Vice-President in charge of its International Banking Department. The office will be located at Rossmarkt 23, and the representative in charge will be J. H. Jebsen, the announcement said. For many years Manufacturers Trust Company has maintained representative offices in **London** and **Tokyo,** and on Oct. 1, 1955, it opened one in Rome, Italy. Thus the Frankfurt opening will bring the total number of the company's overseas representative offices to four.

* * *

The appointment of Daniel I. Sargent as an Assistant Vice-President of **Manufacturers Trust Company of New York,** was announced on Dec. 30 by Horace C. Flanigan, President. Mr. Sargent entered the service of the bank in 1955. Prior to joining Manufacturers Trust Company he was associated with the W. R. Grace & Company, Celanese Corporation of America, and Management Advisory Services—a subsidiary of Price Waterhouse & Company. Mr. Sargent is assigned to the bank's Domestic Department and his territory will include Pittsburgh and Philadelphia.

* * *

MANUFACTURERS TRUST CO., N. Y.

	Dec. 31, '55 $	Sept. 30, '55 $
Total resources	3,209,712,518	2,925,574,955
Deposits	2,956,161,715	2,657,938,507
Cash and due from banks	1,024,445,016	791,030,753
U. S. Govt. security holdgs.	769,017,430	758,495,911
Loans & discts.	1,058,200,319	992,177,259
Undivid. profits	47,611,046	45,281,587

* * *

GUARANTY TRUST CO. OF NEW YORK

	Dec. 31, '55 $	Sept. 30, '55 $
Total resources	3,190,927 627	2,998,587,697
Deposits	2,714,389,962	2,533,180,423
Cash and due from banks	671,504,054	627,019,873
U. S. Govt. security holdgs.	829,757,187	735,634,307
Loans & discts.	1,498,766,285	1,437,173 3[illegible]8
Undivid. profits	105,598,958	107,147,824

* * *

BANKERS TRUST CO., NEW YORK

	Dec. 31, '55 $	Sept. 30, '55 $
Total resources	2,784,756,324	2,585,410,301
Deposits	2,494,481,068	2,286,493,790
Cash and due from banks	815,661,621	572,550,905
U. S. Govt. security holdgs.	463,761,676	437,921,397
Loans & discts.	1,402,989,078	1,429,880,789
Undivid. profits	46,797,033	46,040,092

* * *

THE HANOVER BANK, NEW YORK

	Dec. 31,'55 $	June 30,'55 $
Total resources	1,958,971,124	1,839,137,611
Deposits	1,754,133,876	1,641,155,840
Cash and due from banks	577,057,988	478,116,357
U. S. Govt. security holdgs.	441,079,708	476,863,440
Loans & discts.	811,666,862	752,458,400
Undivid. profits	24,441,990	23,121,419

* * *

IRVING TRUST COMPANY, NEW YORK

	Dec. 31, '55 $	Sept. 30, '55 $
Total resources	1,733,100,505	1,564,718,837
Deposits	1,558,167,779	1,338,553,094
Cash and due from banks	506,916,880	403,408,164
U. S. Govt. security holdgs.	395,422,004	318,888,642
Loans & discts.	723,532,526	723,410,[illegible]21
Undivid. profits	21,431,632	21,772,660

* * *

THE NEW YORK TRUST CO., NEW YORK

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	870,655,005	781,191,535
Deposits	772,631,324	687,053,218
Cash & due from banks	253,973,151	187,098,911
U. S. Govt. security holdings	177,777,707	190,524,846
Loans & discounts	401,531,649	364,525,786
Undividend profits	7,798,364	8,085,714

* * *

THE BANK OF NEW YORK

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	570,258,064	517,786,008
Deposits	511,630,469	462,361,654
Cash & due from banks	171,657,094	159,937,017
U. S. Govt. security holdings	120,123,194	110,545,119
Loans & discounts	249,222,439	218,301,690
Undivided profits	6,826,642	6,525,743

* * *

THE MARINE MIDLAND TRUST CO. OF NEW YORK

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	544,486,341	504,585,726
Deposits	492,904,770	455,440,310
Cash & due from banks	153,644,531	129,016,994
U. S. Govt. security holdings	108,366,561	114,425,928
Loans & discounts	261,582,295	241,263,552
Undivided profits	8,005,819	7,821,460

* * *

GRACE NATIONAL BANK OF NEW YORK

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	174,441,722	159,041,477
Deposits	141,848,565	135,724,883
Cash & due from banks	50,867,024	36,218,282
U. S. Govt. security holdings	42,584,184	45,587,842
Loans & discounts	63,755,629	57,938,505
Undivided profits	1,372,709	1,760,331

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	153,750,292	151,421,505
Deposits	141,637,994	132,587,237
Cash & due from banks	38,231,341	32,400,537
U. S. Govt. security holdings	41,481,897	33,947,691
Loans & discounts	68,958,214	81,430,452
Undivided profits	1,662,928	1,631,901

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Dec. 31,'55 $	Sept. 30,'55 $
Total resources	242,542,471	225,002,701
Deposits	210,919,640	191,553,768
Cash & due from banks	59,915,342	45,219,733
U. S. Govt. security holdings	48,638,801	48,295,413
Loans & discounts	68,092,315	65,059,610
Capital surplus	14,485,284	14,465,284

CLINTON TRUST COMPANY NEW YORK

	Dec. 31,'55	Sept. 30,'55
Total resources	$36,766,031	$34,766,025
Deposits	33,999,884	[illegible]2,007,154
Cash and due from banks	8,132,356	9,402,870
U. S. Govt. security holdings	11,757,078	11,343,485
Loans & discounts	13,771,811	11,123,945
Surp. & undivided profits	1,238,256	1,220,296

* * *

J. P. MORGAN & COMPANY, INCORPORATED, NEW YORK

	Dec. 31, '55	Sept. 30, '55
Total resources	[illegible]	[illegible]
Deposits	[illegible]	[illegible]
Cash & due from banks	287,943,880	[illegible]
U. S. Govt. security holdings	174,751,227	151,196,427
Loans & discts.	[illegible]	[illegible]
Undivided profits	[illegible]	[illegible]

* * *

The death of Roger Steffan, a former Vice-President of the **National City Bank of New York,** occurred on Dec. 27, at his home in Vista, Calif. He would have been 63 years of age on Jan. 29, according to the New York "Times," which noted that he organized and developed the bank's personal credit department. It is learned too, that in addition to being the pioneer in the Personal Credit Field, Mr. Steffan was also in charge of the bank's compound interest department, (or savings department), and was also in charge of time contracts.

In the New York "Times" of Dec. 28 it is noted that "in addition to his banking career, Mr. Steffan had held two important Government posts." The "Times" went on to say: "From July to December of 1934, while on leave of absence from the National City Bank, he served as director of modernization credit for the Federal Housing Administration, and toured the country popularizing the Government's program for home improvement loans." The "Times" continued.

"In January, 1953, coincident with his retirement from National City, Mr. Steffan went to Washington, and during the first three years of the Eisenhower Administration was special assistant to the Assistant to the President. He was also referred to as Director of Operations for the White House Office.

"In May, 1954, President Eisenhower appointed him Economic Adviser to the United States mission to Nationalist China on Formosa. This was his last post before retiring some months ago.

"Mr. Steffan received an A. B. degree from Ohio State University in 1913, and then spent six years in journalism. Coming to the National City Bank in 1919, he spent four years as Educational Director; two, 1923-25, as head of the business extension department, and in 1926, was made an Assistant Vice-President. He was promoted to Vice-President in 1929.

"In May, 1928, Mr. Steffan established the personal credit department of National City, which thus became the first major commercial bank to furnish small loans to individual borrowers."

* * *

At the December meeting of the Board of Trustees of **Union Dime Savings Bank of New York,** Ross D. Hill was elected Treasurer of the bank. Mr. Hill, who has been with Union Dime since 1929, will retain his title of Assistant Vice-President, which he has held since 1949. Howard W. Hammarlund and Herbert G. Zilliakus were elected Assistant Vice-Presidents at the same meeting. Mr. Hammarlund joined the bank's staff in 1926, and in 1950 was made an Assistant Secretary. Mr. Zilliakus, with Union Dime since 1916, and an Assistant Secretary since 1952, is manager of the bank's Murray Hill Office on Madison Avenue at 39th Street, which opened in May 1954.

* * *

Francis S. Bancroft, President of **Excelsior Savings Bank of New York,** announced on Dec. 28 the following changes in the official staff of the bank, effective Jan. 1: John P. Billhardt, elected 1st Vice-President and Treasurer, was formerly 1st Vice-President and Comptroller; E. Ames Bleda, elected Vice-President and Secretary, was formerly Secretary; Martin J. Rudolph, elected Comptroller, was formerly Assistant Comptroller.

* * *

The Board of Trustees of **The Lincoln Savings Bank of Brooklyn, N. Y.,** unanimously approved the following promotions at its December meeting: From Assistant Vice-Presidents to Vice-Presidents; Harry Baumeister, Raymond I. Bundrick and Charles J. Kipp. Also, promoted from Assistant Cashiers to Assistant Vice-Presidents were: Martin Alduino, Thomas J. Kelly, Edwin P. McGuirk and Paul F. McGuirk. Mr. Baumeister, manager of the Williamsburg office of The Lincoln, is a member of the Bankers Club of Brooklyn, the Broadway Merchants Chamber of Commerce, etc. Mr. Bundrick is in charge of the Main Office depositors department, he was formerly Assistant Manager of the Flatbush office until he went to the Main office in 1950, as manager. Mr. Kipp, is Manager of the Flatbush office of the bank. Mr. Alduino, has been Assistant Manager at the Graham Avenue office of the bank since 1943. Mr. Kelly is Assistant Manager of the Main office depositors department; he is a member of the Executive Committee of the New York State Safe Deposit Association. Paul F. McGuirk, Assistant Manager at the Bay Ridge office and Edwin P. McGuirk, Assistant Manager at Flatbush Office, brothers, received simultaneous promotions. All are members of the Savings Banks Officers Association, Group V.

* * *

The Office of the Comptroller of the Currency announces that as of Dec. 20 the **Valley Stream National Bank & Trust Company of Valley Stream, Long Island, N. Y.,** increased its capital from $660,000 to $693,000 by a stock dividend of $33,000.

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NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	Dec. 30,'55 $	Sept. 30,'55 $
Total resources	132,805,515	132,952,977
Deposits	119,816,882	119,974,863
Cash and due from banks	14,353,610	12,273,275
U. S. Govt. security holdings	41,468,808	41,185,652
Loans & discounts	49,987,715	52,841,675
Undivided profits	1,733,037	1,712,145

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The Waterbury National Bank of Waterbury, Conn., announces the death of Leroy S. Andrew, its President, on Dec. 10.

* * *

The First National Iron Bank of Morristown, N. J., has increased its capital, effective Dec. 21, from $800,000 to $1,000,000 as a result of a stock dividend of $200,000.

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FIRST NATIONAL BANK AND TRUST COMPANY, PATERSON, N. J.

	Dec. 31, '55	June 30, '55
Total resources	$234,365,142	$232,816,962
Deposits	216,698,847	215,765,865
Cash & due from banks	36,300,523	33,562,202
U. S. Govt. secur. holdings	56,672,787	57,806,633
Loans & discounts	49,671,310	47,685,265
Undivided profits	4,091,094	3,818,592

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Dec. 30,'55 $	June 30,'55 $
Total resources	1,026,348,207	1,021,109,311
Deposits	910,011,851	917,192,248
Cash and due from banks	322,565,199	327,435,705
U. S. Govt. security hold'gs	171,861,981	179,198,240
Loans & discts.	418,121,229	382,811,869
Undivid. profits	15,741,140	14,480,544

* * *

Over the year-end the merger of **The Market Street National Bank** and the **Tradesmens Bank and Trust Company** both of **Philadelphia** was completed and the merged bank, retaining the name of **Tradesmens Bank and Trust Company,** opened for business on Jan. 3. The combined assets of the two banks as of Dec. 31,

amounted to $307,502,000 and total deposits $272,769,000. R. Livingston Sullivan, President of Market Street National Bank is Chairman of the Board of the combined bank, Percy C. Madeira, Jr., Chairman of the Executive Committee, James M. Large, President and Warren H. Woodring, Executive Vice-President.

The Board of Directors are Boyd T. Barnard, Edward C. Bostock, Francis P. Burns, David Burpee, J. Hamilton Cheston, Joel Claster, Philip H. Cooney, John Curtin, Jr., Edwin K. Daly, Ralph Earle, L. A. Estes, W. R. Gerstnecker, Birkett Howarth, George H. Johnson, James M. Large, Henry S. Louchheim, Percy C. Madeira, Jr., C. F. Norberg, Thomas L. Prendergast, John J. Sullivan, R. Livingston Sullivan, Charles I. Thompson, Thomas Raeburn White, George D. Widener, Howard A. Wolf. The main office of the bank will continue at Broad and Chestnut Sts., with seven other offices. Approval by the stockholders of the plans for the merger was noted in these columns Dec. 22, page 2768.

* * *

Shareholders of **Broad Street Trust Company of Philadelphia** and **Interboro Bank and Trust Company of Prospect Park, Pa.,** at separate special meetings held on Dec. 30, approved the joint plan of merger heretofore agreed to by the directors of each bank. When the merger is approved by supervisory authorities and becomes effective, it will increase the number of Broad Street Offices to 12, will add over $10,000,000 to its resources and over $9,000,000 to its deposits. The merger plans were referred to in our issue of Oct. 27, page 1768.

* * *

DeHaven Develin, President of **The Bryn Mawr Trust Co. of Bryn Mawr, Pa.,** announced on Dec. 29, that the Directors of the bank have promoted as follows three officers of the company. Harold E. Hennessey, formerly Vice-President and Treasurer, who becomes Vice-President and Secretary; William A. Draper, formerly Secretary and Trust Officer who was elected Vice-President and Trust Officer; and Hugh S. Campbell, formerly Assistant Treasurer, named as Treasurer of the company. Mr. Hennessey became associated with the Trust Company in September 1922. He was appointed Assistant Treasurer in October, 1945, Treasurer in April 1951 and Vice-President in December, 1954. He is Secretary of the Montgomery County Bankers Association. Mr. Draper joined the Trust Company in 1938 and was elected Secretary in 1939; following his discharge from the Army Air service in February 1946, with the rank of Major, he returned to the bank and again became Secretary of the Company. In April 1951 he was elected Trust Officer. Mr. Draper is a member of the Philadelphia Bar and serves on the Committee on Law of Decedents and Trust Estates of the Pennsylvania Bankers Association. Mr. Campbell, a native of Glasgow, Scotland, came to this country in 1910 and settled in Philadelphia. From 1918 to 1931 he was with the United Security Life Insurance & Trust Co. of Philadelphia, of which he later became Treasurer. From 1931 to 1946 he was with the Department of Banking in Pennsylvania and joined the Bryn Mawr Trust on April 1, 1947. In 1949 he was elected Assistant Treasurer of the company.

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William R. K. Mitchell, Chairman, and Benjamin F. Sawin, President of **Provident Trust Company of Philadelphia,** and George Scherff, President of **Ambler Trust Company, of Ambler, Pa.,** announced on Jan. 3 that their respective boards of directors had approved a plan to merge the two institutions. The proposal provides for the exchange of 22/10th shares of $10 par value capital stock of Provident Trust Company for each share of $30 par value capital stock of Ambler Trust Company, subject to the approval of the stockholders of both banks and the necessary regulatory authorities.

As of Dec. 31, 1955, Provident Trust Company had total resources of $223,952,572 and Ambler Trust Company total resources of $6,211,954. Ambler Trust Company, located in Ambler, Montgomery County, has served that community since 1917. Provident Trust Company, in addition to five offices in Philadelphia, has offices in Media, Swarthmore, Springfield and Nether Providence, Delaware County. Under the plan, Mr. Scherif would continue in charge of the Ambler office as Vice-President of Provident Trust Company. All the other active officers and employees of Ambler Trust Company would become members of the Provident organization.

* * *

Harvey L. Welch, Vice-President of **First National Bank in St. Louis, Mo.,** retired under the bank's retirement plan on Dec. 31, it was announced by William A. McDonnell, President. Mr. Welch began his banking career as an office boy in the transit department and later was credit Department Manager of the Mechanics-American National Bank. In 1919, when the First National Bank was created by the merger of the **Mechanics-American,** the **St. Louis Union Bank** and the **Third National Bank,** Mr. Welch became manager of the credit department. For the past 18 years he has been a Vice-President and Loan Officer. Mr. Welch is a past President of the St. Louis Association of Credit Men and a past national director for the National Association of Credit Men. He is also a past President of Robert Morris Associates. He was for many years an instructor in credits for the American Institute of Banking and he is also a past President of the adjustment bureau of the St. Louis Association of credit men.

* * *

The Citizens & Southern National Bank of Atlanta, Ga., officially opened on Jan. 3 a **New York service office,** it was announced by C. & S President, Mills B. Lane, Jr. Located at 500 Fifth Avenue, the New York activities of the bank will aim at accelerating and intensifying the development of Georgia. It also will assist its 600 Southern banking correspondents with their business in the North and East. The new office of the Citizens & Southern National Bank is the first operation of its kind established by a Southeastern bank, and says the bank, "will provide a needed financial link" between the financial capital of the U. S. and expanding Southeastern markets. A growing number of New York area businesses, it is stated, have increased both marketing and production investments in these markets. National companies seeking new markets and production facilities will be a major factor in the future growth of Southern business, Mr. Lane predicted. The C & S plans to encourage this trend by making its years of Southern banking experience more readily available to Northern businessmen investigating investment possibilities in the South. The Citizens and Southern National Bank has $25 million in capital and surplus. With over $390 million in deposits, it is said to rank 57th in the nation. Combined deposits of its 22 offices and Georgia affiliate banks are $461 million with capital funds of over $35 million. The plans to open the New York office were noted in our August 11 issue, page 578.

* * *

J. F. Sullivan Jr., President of **Crocker First National Bank of San Francisco,** announced on Dec. 27 the following promotions of bank personnel: A. J. Canata, Cashier's Department, San Francisco and Henry J. Thomas, San Mateo office, have been named Assistant Cashiers; Worth T. Poole, Trust New Business Department, has been named Assistant Trust Officer; Kenneth C. Pfarrer and A. F. Crocket, Trust Department, have been promoted from Assistant Trust Officer to Trust Officer; Leslie J. Olsen, Oakland office, has been promoted from Assistant Cashier to Assistant Vice-President.

* * *

First Western Bank and Trust Company of San Francisco, Calif., has received permission from the State Superintendent of Banks to open an office in the Santa Barbara-Crenshaw shopping center, Los Angeles, T. P. Coats, Chairman of the bank's Board of Directors, announced on Dec. 20. This will be First Western's first office in that section of the city, although it has one in the Watts area and is preparing to open a Southern California main office at South Spring and 6th Streets. Actual construction of the new bank building will not be started until approval has been received from the Federal Deposit Insurance Corporation.

Paternal Collectivism!

"We set for ourselves the goal of making available to farmers, white collar workers and the self-employed economic security and social gains comparable to those embodied in such concepts as retirement pay, vacation and welfare funds, unemployment and sickness disability insurance, and other protections for the individual members of our complex society. It will call for wisdom, judgment and patience to find the best means within the free enterprise system—either through public or private channels, or both — to extend the benefits of an industrial economy to all of its members, regardless of whether they are directly employed by industry.

"The approach to this broad economic horizon obviously will require co-ordination among the Federal and State Governments and the leaders of America's matchless system of free enterprise. Much progress in this direction already has been made in many enlightened business and industrial operations." — Walter J. Mahoney and Oswald D. Heck, speaking for Republican members of the New York State Legislature.

Such professions of paternal collectivism may be politically advisable these days, but we doubt it. At any rate most politicians, Republican and Democratic, state and national, seem to suppose so.

Can we not somehow get these essentially socialistic notions out of our system?

The Outlook for Money Rates

By DR. MARCUS NADLER*
New York University

Dr. Nadler maintains that as long as the economy is operating at near-capacity with strong demand for credit, there is possibility of present restraint policy becoming further tightened; with early upward change mainly exerted on short-term rate. Predicts moderate business downturn in Spring of 1956, with subsequent decline in money rates.

The outlook for the money market and interest rates must be considered in the framework of existing economic conditions. The country is at present in the midst of its greatest peacetime boom. Industry is operating at virtual capacity, hence an increase in the money supply could only aggravate the inflationary pressures already evidenced by rising wages and rising prices of industrial commodities. The demand for credit and capital is strong from all segments of the economy, public and private. It is particularly pronounced in the home mortgage and consumer credit fields, two areas which are usually slow to react to general or quantitative credit control. The slow reaction of the economy to the policy of credit restraint reflects the condition of full employment, rising wages and continued large expenditures by the Federal Government. Fiscal restraint can therefore not be combined with credit control.

Marcus Nadler

So long as the economy is operating at near-capacity, the demand for credit is strong, and prices of manufactured goods continue to rise, the present policy of active credit restraint will continue in force and may even become tighter after the turn of the year. Under these circumstances a further increase in the discount rate, followed possibly by a rise in the prime rate, would not be surprising. Any upward change that may take place in the near future will be felt primarily in the short-term rate, with long-term rates of interest remaining more or less at their present levels. The yield curve may become even flatter than at present.

The high optimistic predictions notwithstanding, the economy will not operate at present levels for many more months. Sometime in the spring of 1956 a downturn of moderate proportions in business activity is likely to take place. Only after business begins to show signs of weakness can one expect a decrease in the demand for credit as well as a change in the credit policies of the Reserve authorities. Whether the Federal Reserve will take measures to increase the availability of credit at the first signs of an economic decline or wait until the downturn is more pronounced is still an open question.

In general, money rates will follow the course of business, and since I expect a moderate decline in business activity in the spring of 1956, I also envisage a decline in interest rates, especially short-term rates.

*Abstract of a talk by Dr. Nadler before a Joint Allied Social Science Association Meeting sponsored by the American Finance Association, New York City, Dec. 29, 1955.

Continued from page 9

Agricultural Price Supports and Production Controls in 1956

veto powers, or if he still does, the subsequent political heat will be even more intense.

No Enthusiasm for Controls

It will be recalled that the program devised in 1933 to help farmers out of the depression morass was referred to as "adjustment." Controls of output were accepted as the corrective of price depressing surpluses. Controls have been linked with price supports in the various legislative enactments since that time. The Act of 1938, which remains the basic agricultural legislation, provided for marketing quotas and acre allotments under specified supply conditions. In a sense, price supports and production controls are Siamese Twins. However, they are far from being identical twins with respect to the regard in which they are held. Perhaps a better description is one of having to "take the bitter with the sweet." The argument that the vote of farmers for marketing quotas demonstrates their willingness to be controlled is not too convincing. They may vote for quotas because they do not want to lose the price supports. No sign of enthusiasm for controls is in evidence.

An administration proposal in 1954 was designed to curb the surplus not only by limiting the acres used for the "basic" crops under marketing quotas, but also by restricting the uses to which diverted acres could be put. The unfavorable reaction to this proposal showed rather plainly that farmers are somewhat less than enthusiastic about controls equipped with teeth. The result has been that acres kept out of wheat production have played an important role in providing an ample supply of feed grains. Moreover, no eagerness has been displayed for shifting from acre controls to more binding controls in terms of bushels or pounds. Acre controls invite taking out poorer acres, more intensive land use, greater application of fertilizers and other measures to offset the restriction. Supply accumulations testify to the effectiveness of such endeavors.

This might be regarded as setting the stage for strengthening the control side of the picture in 1956. However, the political unpalatability of controls makes this improbable. In addition there must be more than a little skepticism regarding how ready the country is to turn over to Washington the decision making regarding farm operations. The search hence goes on for less painful way of bringing output into line with available outlets.

Soil Fertility Banks

This shows up in increasing attention to proposals to have the government pay farmers for creating "soil fertility banks" as a way to reduce current production, or develop some program of leasing of land to the same end. This is an extension of the ACP payments inaugurated in the 1930's. One appeal of this method of adding to farm incomes is that it provides some semblance of the payment being "earned."

Proposals to ease the problems of surpluses and controls by finding more outlets also will be made. Among these will be programs to expand the use of school lunches as a market. Distribution of food to low income consumers probably will come in for support although the level of employment and consumer incomes probably will temper the pressure for expanded relief distribution at this time. Two-price plans and other schemes for exporting surpluses will be advocated as the means of getting rid of supplies and easing the problem of production curtailment.

While no reason is seen for anticipating that present price supports will be replaced in the near future by some form of direct payment, we may expect to see the latter advocated as additions to price supports in some instances and in lieu of price supports on some other products.

The Realities of the Situation

Perhaps the assignment given may be permitted sufficient scope to include at least a brief appraisal of how we appear to be facing up to the realities of the situation.

First of all, the emphasis on depression as a cause of the farmers' difficulty suggests faulty diagnosis if used to determine appropriate remedies. The market is not depressed in a period of record employment and consumer incomes. We are not in the 1930's and depression remedies are not the answer. Some may believe that the export market is depressed but this likewise is hard to see. Exports, while down from their unusual levels after the war when we provided most of the means as a way of helping recovery, compare very favorably with prewar.

Our surplus problem comes partly from a carry-over of war expansion, as for example in wheat, and partly from the decided increase in agricultural productivity. The consequences of these are made more serious by the difficulty agriculture has in adjusting capacity to produce downward, and the relatively inelastic demand for farm products. The stretch in the human stomach is limited. Hunger is a real driving force and supplies do not have to get very short before prices go up materially. This shows up in war. Once the appetite is satisfied, however, man does not go on eating merely because supply is abundant. The margin between surplus and scarcity is small. It takes only a moderate surplus to have a decided effect on price. Another point might be added that prices of many farm products show marked instability because they are influenced by forces beyond the farmer's control. Weather is important among these.

These surpluses are not spread uniformly across the board. Wheat presents the most difficult case. Cotton appears to be somewhat out of line. Feed grains are in ample supply, at least partly due to the use of diverted acres for feed crops. There are still some surplus problems in dairy products but with growing population balance here is not too far away. The sharp drop in cattle prices in 1952-53, and the current situation in hogs, illustrate the cycle swings in livestock. While feed supplies have some influence on livestock numbers, they are in the main the sum total of the decisions made by individual farmers. The corrective decisions are their responsibility. Among the other basic crops, rice apparently is over-extended and doubts arise, over the full effectiveness of the tobacco program in keeping things in balance.

No Blanket Solution

Because the situation varies from commodity to commodity, the attack needs to be varied rather than be a blanket one. Acre allotments under the marketing quota on wheat are not the appropriate attack on an over-expanded capacity. Were the excess purely temporary it would be different. The present program makes inadequate distinction among grades and classes, among farmers and areas which should curtail and those which should stay in wheat, among farmers who have expanded acres in wheat and those who have cutback, among those who grow wheat for their own use and those who grow for market. Besides, the acres are shifted, not retired from crop production.

Up to the present, however, neither Congress nor the Administration appears ready to propose any frontal attack on this problem. A combination of lowered prices and a program to shift some land now in wheat back to grass would seem in order. The latter might concentrate particularly on some parts of the Great Plains in an endeavor to restore some of the high risk lands to grazing. Acquiring the rights of wheat growers to acre allotments, incentive payments, or rentals might be used to this end. Entire wheat units rather than parts of farms should be retired. Lower prices should help induce some shifts where alternatives are present and also expand feed uses of wheat in some areas.

The proposal to cut output by leasing parts of farms or by paying farmers for converting some fields to "fertility banks" may be expected to continue to come in for a good deal of favorable attention. However, it is not apparent at this time that adequate consideration is being given to the host of questions which need to be faced. There are reasons for believing that this proposal may have more promise as a way of adding to farm income than as a production curb. Unless employed with much selectivity, it is unlikely that most of the land affected would be of the top grade. The result might be to take acres not contributing materially to surpluses as well as acres that do. It would require careful administration and policing. It also is open to the criticism that public funds would be used to build up the farmer's private capital in the form of soil fertility for use in larger production later on. Effectiveness of the curbs on output would diminish rather rapidly as fertility increased.

Adding to fertility is accepted by the public as "conservation" and, hence, is regarded as being suitable for expenditure of public funds. Adequate distinction has not yet been drawn between conservation measures to keep the soil in place and measures to build up soil fertility. The former is more appropriate for public action than the latter.

Another point to be noted is that many farms today are too small to be satisfactory economic units. For the government to lease parts of such farms will aggravate rather than aid this problem. Moreover, on these as well as on farms generally the temptation for the operator will be to intensify production on the acres he has left with the result that the cut in output may be far below the cut in acres. In brief, the program to return some land in the Great Plains to grazing differs decidedly from one of seeding down good Midwest farm lands to legumes.

The Disparity of Income Problems

Emphasis often is placed in the disparity which is alleged to exist between the incomes of farm and non-farm people. The figures on which these comparisons rest leave much to be desired. Often they misrepresent rather than portray facts. The real solution for such a situation to the extent it prevails is to facilitate the movement of people into lines where their productivity will bring them increased returns. Mobility and adaptability of the population must be given prominent place among the factors which have made this nation great. The income picture of both farm and non-farm people would be much less favorable today had the cityward migration of population been prevented. This adjustment has gone on during most of our history and is continuing apparently at an accelerated rate. It is not a case, as some proclaim, of "plowing under the marginal farmer" or of "driving" people off the farm. Instead, it is one of attracting them by better opportunities elsewhere. Leaders in Congress could do worse than to forget their politics for the moment and become statesmen in viewing what the government might do to foster a desirable adjustment of this sort.

A migration away from farms does not mean land abandonment, although it may result in some idle farmsteads which no longer are needed. The land is being absorbed by consolidation into nearby farms. The hue and cry goes up that this means corporation farms and an end to the "family farm." Those who give vent to this view ought to open their eyes to the facts around them. Farms are getting larger as they need to in order to make effective use of modern machines and technology, but they continue as individual units, operated largely by the farmer and his family. It is difficult to see why they do not qualify as family farms.

Larger units mean reduction in human drudgery. Machines replace human muscle. The greater land area available gives more flexibility and permits less intensive use of land, such as more grass and less crops when conditions so warrant. Best of all, the larger units provide the farm family with the means of better living. Those who sing the praises of the small farm surely do not mean to oppose progress which yield these results. Non-farmers may be disturbed more than farm people over community and trade effects. A decline in farm population lessens the farm market for some things. Less coffee and sugar and fewer overalls may be needed but larger farm machines, fertilizers and the like, and items of living more on the luxury side will be bought. There also is likely to be more work opportunities in service fields with the change.

In programs which are developed careful distinction should be made between basic adjustments which lead to needed corrections and temporary income supports which may have a place during the adjustment period. The latter should not be in the nature of permanent fixtures which will be continued after the need for them has passed. In trying to alleviate current problems let us avoid adding to the problems of oncoming generations.

One aspect of the farm question which is not receiving the attention it deserves is the importance to farmers of maintaining stability in the rest of the economy at a high level of production and employment. In recent months the immediate threat has been inflation rather than the recession we heard so much about in 1954. Fortunately, we did not yield last year to demands that we rush into a wide range of recovery activities. Fortunately, also, we have had the courage to use the brake pedal moderately in spite of the insistence of some that the foot should remain on the accelerator.

There are times when an inflationary trend may be shared in quite fully by farm prices. In the face of a surplus situation such as that of the present, inflationary tendencies are much more apt to make themselves felt in the form of rising costs rather than prices to farmers. While there are indications that the worst of the inflationary dangers may now be over, we will do well to be aware of pressures for increased expenditures and tax reduction during an election year. A political ear also may bend somewhat more to hear the complaints of those who think tney are being harmed by programs which seek to keep the economy on an even keel.

Statesmanship and not Political Expediency Needed

This truly is a year when we must place a good deal of hope that statesmanship and judgment of leadership in both the Congress and the Administration will prevail over political expediency. It is also a time when it is well to remind ourselves that if we fall for political clap-trap that is what will be dished out to us. One effective way to get seekers of political office to face facts is for voters to insist that they do so. If we vote on the basis of the politician's promise of satisfying our narrow self-interests, the broader interests of general welfare will go unheeded. The citizens will suffer the consequences.

Are we going to be contented with political soothing syrup which will help us forget our troubles for the moment or are we going to face up to the problems with the purpose of finding real solutions for them? That is the choice which 1956 sets before us. The challenge is there. Are we ready to meet it?

Kidder, Peabody & Co. Add Two New Partners


Dudley F. Cates


T. Edwin Pereyra

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, has announced that Dudley F. Cates and T. Edwin Pereyra have been admitted to the firm as general partners. Mr. Cates entered the organization in 1946 after service in the U. S. Navy. He organized the firm's mutual fund department in 1949 and was its Manager until 1952. In 1954 he was appointed New York Sales Manager.

Mr. Pereyra joined Kidder, Peabody & Co. in 1939 and has specialized in railroad bonds and railroad equipment trusts.

Pierce & Kielsmeier

PALO ALTO, Calif. — Pierce and Kielsmeier has been formed with offices at 539 Ramona Street to engage in a securities business. Partners are Cathrine D. Pierce and Marcus C. Kielsmeier, both of whom were previously with Hannaford & Talbot.

R. G. Dickinson Co. Opens

DES MOINES, Iowa—Robert G. Dickinson is engaging in a securities business from offices in the Walnut Building under the firm name of R. G. Dickinson & Co. Mr. Dickinson was formerly with T. C. Henderson & Co.

Railroad Securities

By GERALD D. McKEEVER

Western Pacific R.R. Co.

With a 50% gain in the road's net earnings indicated for 1955, Western Pacific stock has had a good recovery from the 1955 low of 56¾. However, the current price level of about 67 virtually coincides with the 1953 high of 67⅜. This has been a source of great trial to the patience of holders of this stock who have witnessed a 44% gain in the rail stock averages over the 1953 high, and a much wider gain for individual stocks.

Traders in Western Pacific who were sufficiently alert probably made out considerably better since this stock ranged from 56¾ to 73⅞ in 1955 and from 51⅞ to 58⅜ in 1954. While the 1954 range was rather narrow, the 22 point run from the low of 1954 to the 1955 high represented a gain of a little over 40%. However, even this was not even mediocre as compared with the 70% gain in the Dow-Jones Rail Stock average from the 1954 low to the 1955 high.

This is not so much an indictment of the present price of the stock as it is an indication that the 1953 and 1954 prices were too high, and that is particularly true of the latter year when earnings turned out to be only $6.13 per share. There was much sounder ground for the 1953 price action since the road was able to glean $11.63 per common share in that year (the preferred was then still outstanding) despite the general slump in the final months of the year and the wind-up of military traffic that had been such an important factor for the road's earnings while the Korean episode was in progress.

Another factor in the 1953 price action was a considerable degree of speculation as to what would be done with the $10 million reserve that the road had set up against the then still unsettled $17 million claim of the Western Pacific R.R. Corp., the parent company prior to the reorganization of the Railroad Company, for alleged appropriation by the latter of some $17 million tax benefits that should have accrued to the benefit of the former parent. Guesses ran all the way from the wild idea of a "hand out" in cash to the common stockholders to the more sensible thinking of applying the $10 million when, as and if liberated, to facilitate the refinancing of the road's preferred which, because of its participating feature, was a considerable barrier to an increase in the common dividend.

The tax case was finally settled in favor of the Railroad, first by decision of the U. S. Supreme Court on January 18, 1954, and again by action of the U. S. District Court at San Francisco which threw out the ancillary case and the latter was upheld by the Appeals Court the following November. This favorable outcome was anticipated by the road which in August, 1954 offered to exchange $22,500,000 principal value of its 5% income debentures and 37,500 shares of common stock for 225,000 shares out of the total of 308,211 shares of its 5% preferred. Then almost coincidentally with the favorable final settlement of the tax case, the 83,211 share balance of the preferred was called for payment in cash on Nov. 1, 1954.

This did away with the diluting participating feature, but unfortunately not until the road's earnings were "on the toboggan" and prospects for the long-awaited increase in the common dividend, which had held at the $3 rate since 1945, again became remote. The earnings recovery in 1955 to the estimated $9.25 per share for that year revived the hope for a more appropriate rate of payment, but still nothing happened. It is not that the road's management is not "stock minded," as the saying goes, but that its primary concern is to so modernize and improve the road's property as to place it in a thoroughly competitive position. Along these lines a $6 million improvement budget has been voted for 1956, largely for the continuation of the rail renewal program and for the further concrete lining of tunnels on this many-tunneled road. The road has been virtually dieselized since 1953 and much of its line is protected by CTC.

In the past the greater part of expenditures for betterments have been charged to capital account. The dividend outlook is not now so much a matter of earnings as it is of available cash, and the road's cash showed a decline of almost $10 million as of last September 30 as compared with the same date in 1954, and net current assets were down $10.1 million. It has been stated that the road's betterment program may run for another two years or more.

As far as earnings are concerned, a further increase appears probable for 1956. While there is not in sight any such spectacular addition to traffic sources as the huge Ford assembly at Milpitas, Cal. which began operations on March 1, 1955, this plant did not get into full swing until the middle of the year. The present year's earnings will have the benefit of a full year's operation of this plant and it is also expected that additional industry will be attracted to the area for location on the 1,100 acre site which the road acquired at Milpitas for industrial development.

Another factor that may tend to swell 1956 earnings is a possible loss carry-forward from the recently concluded reorganization of the road's Sacramento Northern subsidiary which is understood to involve a loss of some $20 million to the Western Pacific. Of more gradual but steadily cumulative effect is the added support given to earnings by the improved efficiency of operation made possible by the road's extensive and continuing improvement program.

A high degree of operating efficiency is an outstanding characteristic of the Western Pacific which enjoys a low wage ratio and one of the lowest transportation ratios among Class I roads. The road's efficiency achievement was succinctly summarized in the 1954 annual report which, among other things, showed the road to stand third among leading U. S. roads in the over-all efficiency measure of gross ton miles per freight train hour and second in this respect among roads in its Central Western district. The same tabulation showed it to stand second in freight train speed both in country-wide comparison and in its district, while in net ton miles per car day it stood second and first respectively.

On the adverse side, it is estimated that the recent round of wage increases may cost the road around $1.35 million annually or some $2.40 per share before Federal tax which the road accrued at the rate of about 42% for the first 10 months of 1955. However, a 4% freight rate increase (7% has been sought) should cover the wage increase. A smaller factor of possibly negative portent is the ICC order of Dec. 30 for rate cuts on transcontinental shipments to, from and within the Pacific-Mountain territory ranging from 16% to 29% and to be effective by next June 1.

The Western Pacific is an end link in a transcontinental chain, connecting with the "Denver" at Salt Lake City and, for a much shorter haul to its San Francisco terminus, with the Great Northern at Bieber, Cal. just below the Oregon border. Since it is estimated that the rate reduction ordered by the ICC will amount to only about $10 million for the whole district, the effect on the Western Pacific, a small road, will be a relatively minor matter.

Another possibly adverse factor, although temporary in any case, may lie in the recent floods in areas of Northern and Central California which are traversed by the Western Pacific. However, no reports have been received to date as to what extent the road may have been affected, either by actual physical damage or by interruption of service.

The current price of about 67 for Western Pacific is only about 7.2 times estimated 1955 earnings of $9.25 per share. This somewhat under-average earnings multiple is due to the relatively low rate of dividend "pay out" which results in a yield of less than 4½% as against yields of 5.8% and 5.2% on Great Northern and Southern Pacific respectively, both of which are comparable if not superior as to growth and investment qualities. It seems obvious therefore that Western Pacific common is "discounting" a higher dividend, and this confidence may be rewarded in time.

Continued from first page

The Imported Car in America

examination of the foreign car industry in America. Le Mans has been chosen here as one way of illustrating immediately some of the main differences between American and European automobiles. These differences run deeper than many would imagine. Quite aside from styling, the whole approach to the production of an automobile is frequently different in Europe. Take, for example, the question of what the public wants. In the United States this is determined in various complicated ways. Elaborate surveys are conducted, there is no end of research and examination and finally the new model, guaranteed to satisfy at least the great mass, comes forth. But in Europe, what the ladies in Upper Montclair—or rather its Continental equivalent—want in the way of an automobile may not be given such elaborate thought. For many, Le Mans, or the great Mille Miglia in Italy or some other competition of near-heroic proportions may be the final arbiter of this year's "fashion" and whether the design is a success or not is determined at the finish line.

Although this view of automobile competitions tends to be considered out-dated in the States, many European manufacturers still look upon racing — of the European type, over public roads closed for the day—or long distance rallyes as the best possible proving ground for an automobile. The elaborate testing grounds around Detroit undoubtedly produce very interesting data, but whether an automobile can take it or not can be determined in a brief 24-hours at Le Mans beyond all shadow of doubt. The finish line is the acid test. Those who even manage to cross it, have proved their mettle.

This is not a treatise on automobile racing but to appreciate why a growing number of Americans are turning to foreign cars and to understand why foreign cars are very different—not only from American models but from each other—it is helpful to know about events like Le Mans and in their proper perspective. Although by no means are all European cars bred on race circuits or really routes nonetheless the emphasis which these events put on the handling qualities of automobiles tends to permeate a large area of the industry. Handling qualities will vary from car to car but to a greater or lesser degree there will be a directness, a "feel" to European cars which American cars no longer possess. And from the standpoint of styling, it is simple fact that European cars are the artistic expression, good or bad, of each company, being free of the taste dictates of the mass.

The Car of Tomorrow

Today a great deal is heard of the car of tomorrow. Almost monthly the public's reaction is being tested out to futuramic cars with plastic bubbles, jet pipes and all manner of fabulous and fantastic creations. But this is only delusion. The cars more truly of tomorrow are already on the road! At Le Mans last June and again next year, today's cars of tomorrow will be lined up to prove the merits of their design, and there will not be a chromium-plated triple dorsel fin or whale's tooth among them!

For a moment, let us examine some of these automobiles. The Mercedes Benz which crashed at Le Mans was one of a team of three. Each was equipped with fuel injection—as are some standard production Mercedes'—a feature that Detroit is rumored to be working towards adopting some time in the future. They also had their engines sharply raked over to one side in order to lower the hood line and thereby reduce wind resistance. But perhaps more fascinating still, they all had hydraulically operated flaps that rose from the rear of the car to serve as a brake of the type used on airplanes. Many of the cars at Le Mans were equipped with de-Dion back axles, which give extraordinary road holding. Some of the cars, such as the English Jaguars, had disc brakes which provide stopping power far beyond that available in any other brake system. (Many of these features were first pioneered at Le Mans.) Passing along this line of nearly 70 superb machines, one would have found on many devices and engineering concepts having wonderful application to normal passenger automobiles. And because Le Mans is considered by many European manufacturers as a testing ground for their products, the chances of these new developments finding their way into standard production models is enhanced accordingly.

Therefore, from the very beginning, the approach to the production of an automobile tends to be different on the two sides of the Atlantic. In Europe, the concept of an automobile in itself being the ultimate goal of the design is still respected, whereas our American cars, in aspiring for something more glamorous, attempt to combine the styling of jet aircraft with the proportions of an ark. Thus there is immense weight, although a large share of it is quite dead, unnecessary length which makes parking more difficult, undue width often making passing or meeting other cars hazardous, and unnecessarily large engines although they cause heavy gasoline consumption—all anomalies for a nation of practical people. So long as there is an appreciation for these qualities they will be provided but there is a growing number of Americans who want more sensibly designed automobiles and ones providing some aesthetic satisfaction as well. After all, second to a house, the purchase of an automobile is the largest single acquisition made by most families. The expression "I look upon an automobile as just transportation" is often heard. Transportation is, of course, the function of an automobile, but in that expression there is no trace of getting any satisfaction or enjoyment from the experience, and therefore something important seems to have been lost. Motoring used to be a great and wonderful experience. The Sunday ride was the highpoint of the week for millions of Americans. But in the present American car, we have moved into such a servo-assisted world of automation that one can no longer taste the joys once there. It is not that European automobiles are bare of our many comfort features, but they still manage to establish a somewhat personal relationship between themselves and their occupants. It is perhaps, the difference between handling a sailboat and manning something resembling a Lackawanna ferry.

On the other hand, if "just transportation" is all that is required, many Americans are purchasing small European cars which with their compact size and economy are more truly providing this than any car produced domestically.

A Brief History of the European Car in America

The term "foreign car" often conjures up all sorts of thoughts, especially if one's knowledge of such automobiles is rather slim. Up until the second World War, the term usually brought to mind the magnificent and regal lines of the Rolls-Royce or perhaps the Hispano-Suiza, if you happened to be a follower of Hollywood movie stars during that period. But after the war all of that changed. The bread and butter version of the European car came to America. In the immediate post-war period, American automobiles were scarce and so was Britain's supply of U. S. dollars. This was the period of Britain's early great "export drives" and America was picked as a new market for British automobiles. Actually, the picking seems to have been done entirely by the government, British automobile manufacturers themselves having held little hope for acceptance of their products in the United States.

Meanwhile, France too was interested in earning dollars and so she also made a bid for the U. S. market. The French "contribution" was the little rear-engined, four-cylinder Renault, manufactured by the state-owned company just outside of Paris. The Renault was the smallest of the foreign cars to come into the American market, being only slightly larger than the American-made Austin of the late 1920's and early '30's, and the Crosley of a later period. But although diminutive, the car was brilliantly engineered and well made and still continues to be produced in practically the same form as introduced in 1948.

In the vanguard of the English imports was, of course, the Austin, a rugged 4-5 passenger car which sold over 8,000 cars in 1948, its first year in this country. And running just behind came the English Ford, Hillman and MG, the latter introducing a whole new—or at least new to a younger generation—concept of motoring, the sports two seater.

This was the beginning and in most respects it was somewhat tenuous. There were few spare parts available, practically no distribution set-up, but there was good will from many quarters. Even some Detroit companies, appreciating the predicament of Britain and France, helped in various ways to make the imported car people at home. Sales flourished. In 1948, 15,422 cars were sold and by 1952 annual sales had nearly doubled, 29,299 units having been sold that year. However, in 1953 sales slipped a few hundred cars and in 1954 an important dip occurred, and if it had not been for the rising tide in German Volkswagen sales (6,343 in 1954) prospects for the imported car market in America would have looked quite bleak.

There are a number of factors that accounted for the decline that took place during 1954. The most important of these was undoubtedly the glut of American cars on the market, creating a situation in which new cars were practically wholesaled and used cars nearly given away. The latter condition particularly hurt foreign car sales since finding, as they do, a large part of their sale for second-car use, the superabundance of American used cars had the effect of saturating a main area of their market.

Aside from this though, models of imported cars available in the American market had been here substantially unchanged for several years and were no longer attracting the same degree of interest. It was, in fact, unprecedented that some had managed to keep up a good sale for four or five years without change, considering the American penchant for a new model each year. Actually, the longevity of imported car models is proving an attraction to many American buyers and certainly reduces the depreciation rate a good deal. The Volkswagen, for example, which has never undergone a basic styling change, depreciates only as little as $200 in its first year of operation.

It should be noted that by the beginning of 1954, Americans with a natural inclination to **buy** foreign cars had pretty well done so and henceforth more depended upon the cars being **sold**. This involved overcoming such deterrents as the fear of problems regarding service and parts — a fear well enough founded and for some time valid but not so today. Besides this, no matter how interesting and attractive the foreign models are and how likely a public to appreciate them, it nevertheless requires time to accept a new concept.

Finally, sales were affected by the fact that several new sports models had been announced abroad but were slow in reaching the States, causing some buyers to hold off until the new models arrived.

Nineteen fifty-four was a black year and yet there seemed to be signs of strength in spite of the setback. For one thing, Volkswagen sales continued to come on hard, proving that America would accept a small car. Furthermore, the breadth of these sales was beginning to dispel traditional points of resistance to imported cars — the spare parts bogey in particular.

Although it will be some time before a final tabulation on 1955 is available there is now no doubt but what the imported car market has snapped back with a bang. Sales will double that of 1954 and may come close to doubling the all-time high of 1952 (they will certainly exceed 50,000). It can now confidently be said that imported cars are here to stay and, as a result, selection of a motor car in American has a new dimension. Choice is no longer limited to a traditional group. It is possible to consider various imported automobiles. Until recently purchase of an imported automobile often had to be defended but now, in many situations, it is looked upon as the smart thing to do practically, as well as socially. It is a matter of taste and as in the case of whiskey, bicycles, shirting or cutlery, one may find his desires better rewarded in an imported product. Foreign cars have become a part of the American scene and enriched it, and there is certainly no paucity of interesting models from which to choose. In the following paragraphs some of those available are briefly described.

What is Available Here

To date, foreign cars have mainly found purchasers in the middle and upper income groups although many — especially the economy types—make more sense for more Americans than any automobile produced in the U. S. today. Take the German **Volkswagen** for example. Over a million VW units have been produced which probably places it as the most popular and most proven single model of an automobile on the road today. Then consider its price, low operating costs and depreciation. A fully equipped, deluxe VW can be purchased in New York City for a delivered total of $1,495. This automobile will average about 35 miles to the gallon. Its air cooled engine will neither freeze nor boil, requires no anti-freeze in winter. The oil in a Volkswagen can be changed with less than three quarts, but most important the rate of depreciation on the VW is lower than any other car in America today. This all sounds too good to be true but it is a simple explanation of why in three years sales have gone from 1,200 to 35,000 units and why the Volkswagen company is predicting that twice that many will be sold in the U. S. this year. The Volkswagen must, in many ways, be considered the greatest sales success in the U. S. industry today, achieving this sale with less than 500 dealers. (Chevrolet for instance has over 7,500 and although the ratio of sales to dealers is higher for Chevrolet, the Volkswagen faced an altogether different sales challenge.)

Among economy cars, choice is by no means limited to the Volkswagen. The French **Renault,** which looks like a bug, and is considered by many to be the finest handling small car in the world, delivers in New York City for $1,259 and in terms of speed, maintenance, carrying capacity, etc., generally matches the VW. The Renault has also just introduced a clutchless gear change making it particularly suitable for second car use in the United States where often the lady of the house—and sometimes the man — does not know how to shift gears using a clutch, or does not care to.

England produces the **Morris Minor,** a delightful automobile to drive, and although here again it gives the appearance of being quite diminutive, once aboard and under way that notion is soon forgotten. All these cars handle so well that once behind the wheel, the question of size fades into the background while one wonders at the fun they bring to driving.

Moving into a larger class, involving automobiles with a seating capacity approximately that of American cars, there are several makes exported to the States in quantity. The biggest seller in this group has been the **Jaguar Mark VII** sedan which combines a handsome appearance with fine performance and high standards of craftsmanship. An automatic transmission is also provided. In addition, the Jaguar company now has a brand new model coming into the States which, while smaller than the Mark VII, nonetheless carries five comfortably and offers the same quality and high performance. Its price is lower than the Mark VII. being in the neighborhood of $3,500.

From Germany comes the **Mercedes Benz** line, carrying the oldest name in motoring. Mercedes Benz cars are world renowned and although long associated with kings and merchant princes, a fully equipped Mercedes Benz sedan can be purchased in New York City for just over $3,000. Like Jaguar, Mercedes has several handsome sports cars, one of which, the 300 SL, is famous for its upward opening doors. The SL has many other unique features. For example, it is equipped with fuel injection, a development still in the rumor stage so far as Detroit is concerned. As mentioned earlier, the SL has its engine raked over on its side to reduce wind resistance by a lower hood line. The SL is generally considered the most advanced car on the road today. Its factory published speed is 160 miles per hour.

In discussing the Mercedes Benz SL, I have strayed into the field of sports cars, an area where Britain has long had a distinguished reputation. The **MG** and the **Jaguar** sports immediately come to mind and perhaps the **Austin - Healey** and the **Triumph.** These are all cars of superior road holding ability, high performance and fine craftsmanship. They might well be termed the thoroughbreds of motordom. Although to the chagrin of traditionalists, MG has forsaken its classic and angular shape in favor of a beautifully stream-lined version, observers of the foreign car industry in the States are unanimous in agreeing that the new model will be a great sales success, undoubtedly far outstripping the records of its predecessors.

A German automobile which must be included in this group of sports cars is the **Porsche,** designed by the late Dr. F. Porsche. This car stands as eloquent tribute to one of the world's greatest automobile engineers. Its excep-

tional performance and excellent styling reflect the genius of the designer. The efficiency of the design is so great that although propelled by a motor, small by American standards (4 cylinders, 54 to 100 horsepower, 1,500 cc displacement which is half to a third the size of U. S. motors) some Porsche models are capable of 125 miles per hour.

Then comes the magnificent English **Aston Martin**, a car to gladden the heart of the designer and connoisseur. The Aston is not just a car but a contemporary classic. Every nut and bolt in it have been tested out through the deliberately heavy racing program engaged in by the Aston Martin Company and the result is an automobile of proven merit in every respect. Although essentially a two-seater, the Aston will carry two extras if necessary and there is generous space for luggage. As a high performance automobile for long distance travel by the discriminating owner, the Aston is without peer.

At the top of the ladder are several makes and only their names need be mentioned to indicate the ultimate has been reached. Although Spain produces the expensive **Pegaso** and France the **Talbot, Delahaye** and **Delage**, the only ultra automobiles regularly imported to the United States are the **Bentley, Rolls-Royce** and **Mercedes Benz**, America has automobiles that lay claim to the title of the ultimate in luxury etc. but the standard is by no means the same.

Only a small group of imported cars has been taken here for illustrative purposes. There are many others regularly imported—**Hillman; Austin; Ford; Borgward**, etc. —which merit equal attention if space permitted. But whether mentioned or not all have individuality as a common characteristic. Whether one slides behind the wheel of a French **Citroen** or an English **Singer**, one immediately has the impression that here is something with its own entity. It not only looks different but it has an altogether different "feel," indicative of the fact that the individuality comes with the construction — from the ground up. Although the United States is the home of the world's most superior mass produced goods, it is a country by no means immune to the quality of individuality, a quality which is highly salable.

At Mid Decade and Beyond

In a few short years the imported automobile industry has become one of the most significant import businesses in America. During 1954, nearly $45,000,000 worth of European cars were imported to this country and this figure has been greatly exceeded in 1955. Already in the case of Britain every one of her main exports to the States, except beverages, has been surpassed by automobiles, and in 1955, cars may have headed the list. In these facts are reflected the strength and substance of this new business. Many dealers are realizing very handsome profits with practically none of the break-neck, topsy-turvy kind of merchandising that has become more and more a feature of the domestic automobile business. The commercial vehicle field alone offers enormous opportunities. There is not a single, truly light weight commercial vehicle produced in this country but Europe has several in mass production. These vehicles combine good carrying capacity with great fuel economy and long life. Some are so maneuverable that they will just about turn within their own length. Initial cost is low, in fact, there are several light weight commercial vehicles produced in Europe that could be sold in this country for less than $1,500.

The problems of traffic congestion and parking difficulties are becoming more and more critical, not only with respect to commercial transport but for the general public; those shopping in towns, or involved in town driving in the course of business as well as the great commuting public who must park at or near the railway station. Besides, America is fast becoming a two or more car nation and the vast middle class is interested in economical, easy to manage cars for just such use as shopping, local trips and station runs. European automobile manufacturers have had long experience in producing cars suitable for congested areas and cars that cost little to run.

They also have a long tradition in the production of sports cars. Combining as they do high standards of roadability, braking and performance, these cars exercise considerable appeal for many Americans and their market in this country therefore continues to strengthen.

It is small wonder that the future for imported automobiles in the States appears bright indeed and signs of success are mirrored in the windows of the new showrooms all over New York City. A new one is even now being completed on East 57th Street for Jaguar cars. Volkswagen also has a new one on East 58th and Mercedes Benz, Porsche, Renault and Rootes all have excellent showrooms on Park Avenue. The Inskip Company, America's oldest purveyor of imported automobiles, has showrooms in both the East 50s and 60s and there are several showrooms on Broadway. Some imported automobile dealers in the area around New York City are even becoming exclusive to one make, and across the country foreign car dealers have taken firm root in all main centers and many smaller ones as well. In one rather rural area of Illinois, half of the local farmers are now driving Jaguars!

In the new pattern of American life that is emerging, there is a place for imported automobiles. The migration to the suburbs and rapid growth of two or more car families are significant factors just as are congested traffic conditions and lack of parking space. Therefore, although already well under way, the imported automobile business in America can still be considered to be only on the threshold of a new era, especially when it is realized that nearly 80% of the great new tide of sales comes from only 10 states, leaving 38 others open for future development. And the commercial vehicle field, which has not yet been entered, offers great possibilities, especially in main metropolitan areas.

M. E. Simond Rejoins Eberstadt Organization

Maynard E. Simond has been admitted as a partner in the investment banking firm of F. Eberstadt & Co., 65 Broadway, New York City, it was announced by F. Eberstadt, senior partner of the firm. The admission marks Mr. Simond's return to the Eberstadt organization after six years' service as an executive of Chas. Pfizer & Co., Inc., manufacturers of pharmaceuticals and fine chemicals.

Mr. Simond joined Pfizer as chairman of the executive committee in 1950 later becoming chairman of the board of Pfizer International Inc. During the years 1932-48 he was a vice-president and director of F. Eberstadt & Co. Inc. and served as president of that company in 1949.

Since its organization in July of 1938, Mr. Simond has been a director of Chemical Fund, Inc., a large mutual fund specializing in investments in chemical securities and managed by an Eberstadt subsidiary. He is also a director of the Pfizer company.

Strong Establishes Business Consulting

CHICAGO, Ill.—An international business consulting service has been established by A. M. Strong, former Vice - President of the American National Bank and Trust Co. He will maintain offices at 33 North La-Salle Street, Chicago, and will specialize in financial problems relating to overseas trade, industrial investments and licensing arrangements.

A. M. Strong

Mr. Strong, who is well known in international banking and trade circles, entered the foreign banking field in New York in 1916. He came to Chicago in 1945 to establish the Foreign Department of the American National Bank. He retired as Vice-President of the Bank on Dec. 31, 1955 and will continue to act as a consultant to the bank.

Since his coming to Chicago, Mr. Strong has been active in the promotion of Midwestern foreign trade. He organized the World Trade Forums of the Illinois Manufacturers Association in 1946; the Importers' Association in 1947; the Institute on International Trade at the University of Illinois in 1953.

Mr. Strong is now serving as Chairman of the International Trade Committee Illinois Manufacturers' Association; Director of the Institute on International Trade, University of Illinois; Chairman of Board, Importers' Association, Inc. of Chicago; Director, American-Swiss Chamber of Commerce, Chicago; Field Counselor, U. S. International Cooperation Administration; member, Import Advisory Committee, U. S. Department of Commerce; member, National Panel of American Arbitration Association. Mr. Strong plans to continue in most of these activities.

Among the honorary awards received by A. M. Strong are the Legion D'Honneur, by decree of the President of the French Republic in 1953; the Medal of Commercial Merite of the French Government; Certificate of Appreciation from the Mutual Security Agency; and Honorary Degree of Master of Foreign Trade, Latin American Institute.

Between 1940 and 1955, Mr. Strong published 214 articles dealing with every phase of international trade and finance. He is a frequent speaker at foreign trade meetings and has been a guest lecturer at Northwestern and Loyola Universities, Chicago; Marquette University, Milwaukee; University of Minnesota, Minneapolis; and the University of Omaha, Omaha.

Middleton V.-P. of Parker Corporation

BOSTON, Mass. — The election of John L. Middleton as Vice-President of Incorporated Investors and Incorporated Income Fund has been announced. A senior member of the research staff of White, Weld and Co. in Boston since 1940, he is joining the offices of the Parker Corporation, 200 Berkeley St., investment managers of the two funds, as Vice-President. An expert analyst in the petroleum industry and transportation, he has had wide experience in study of other industries.

John L. Middleton

Dabney C. Jackson Opens Own Investment Firm

LYNCHBURG, Va.—Dabney C. Jackson has opened offices in the Peoples Bank Building to engage in a securities business under the name of Dabney C. Jackson & Co. He was formerly a partner in Edward G. Webb & Co. and prior thereto was with Scott, Horner & Mason, Inc.

Union Securities Corporation Announces Official Appointments

Appointments of two Assistant Vice-Presidents and an Assistant Treasurer were announced by Francis F. Randolph, Chairman of the Board of Union Securities Corporation, 65 Broadway, New York City. Union Securities, a leading investment banking

Disque D. Deane Walter W. O'Connor Daniel D. McCarthy John W. Sharbough

firm, is a wholly-owned subsidiary of Tri-Continental Corporation, the nation's largest diversified closed-end investment company.

Disque D. Deane and Daniel Desmond McCarthy were named as Assistant Vice-Presidents and Walter W. O'Connor as Assistant Treasurer.

Election of John W. Sharbough as a director of Union Securities Corporation, was also announced. Mr. Sharbough, a Union Securities Vice-President for the past nine years, joined the investment banking firm as manager of institutional sales in 1942. He will continue supervision of institutional sales, and will be active in new business operations. The new director began his investment banking career, 30 years ago, with the old Harris, Forbes & Co. He joined J. & W. Seligman & Co., in 1936, and served as head of the statistical department before transferring to Union Securities. He was promoted to Assistant Vice-President in 1944.

Mr. Deane came to Union Securities in 1951 after five years with the Carnegie Teachers Insurance and Annuity Association of America investment office, where he was Assistant Treasurer. He will continue his activities in institutional sales, real estate financing and public pension funds.

Mr. McCarthy, began investment banking work in 1946. He joined Union Securities, six years ago, as a preferred stock trader and advanced to supervisory retail sales work, in which activity he will continue.

Mr. O'Connor joined Tri-Continental in 1932 and worked in the accounting department until entering military service in 1942.

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Out-of-State Mortgage Investments by Savings Banks

broad enough to cover our clients' needs. We were, therefore, enabled to advise our clients to withdraw their previous qualification, thus eliminating the unnecessary tax exposure. In the beginning of this year, local counsel in Texas notified us that the Texas legislature had enacted a law directing county clerks in counties having a population of 600,000 or more to destroy all chattel mortgages and chattel mortgage records on file for a period of ten years or more unless within that period mortgagee's affidavits were filed to preserve these liens. Previously such chattel mortgages were effective until six years after the maturity date of the loan as set forth in the instrument. Because this law affected our clients' multi-family investments in Dallas and Harris Counties, we were able to advise them to review such loans before the expiration of the ten-year period in order to file necessary affidavits.

"Doing Business" Laws of the States

The next problem, the "doing business" laws in our sister states, is susceptible of some classification which you may find useful. The question here has been whether the banks' activities in negotiating, acquiring, servicing, enforcing and realizing upon the security of their investments in these states, constitutes the performance of business therein and, if so, what penalties, fines or disabilities would ensue for failure of the bank to qualify in the foreign state, and what local taxation might be involved whether the bank qualified or not.

In general, direct lending by a bank in a foreign state is not practicable since it requires having employees and perhaps offices in the foreign state for that purpose. This involves additional legal and administrative costs. Where the enabling legislation permits out-of-state mortgage investment only if the mortgages are insured or guaranteed by the Federal agencies, there is also some doubt whether banks are thereby permitted to advance money on which the guaranty or insurance *will* be forthcoming only after the delay which is involved in presenting the papers to the applicable authorities for such insurance or guaranty. This, of course, does not apply to VA loans made on an "automatic" guaranty basis. More serious, however, it is generally held that such activity constitutes "doing business" in the foreign state, with the consequence which I shall discuss later. Even where no penalties are involved the liability for local taxation is usually greater. While a state may wish to encourage entry of new capital there is also an interest in protecting the local mortgage banking business against competition from outside. Mortgage investments are, therefore, usually purchased from local originators, either on the "off the shelf" basis or the "advance commitment" basis, the latter being a conditional agreement to purchase loans to be made on particular properties provided the mortgagor's credit is satisfactory. Formerly this latter method raised problems of compliance with VA and FHA discount regulations which happily are no more. But there is still the "doing business" aspect of this method to be watched. The arrangement must not constitute the local originator merely the bank's agent for lending money in the state. The commitment should be framed upon the assumption that the originator has already agreed to make the mortgage loans, and not conditionally upon the bank's commitment.

As you probably know, unlike and individual, a corporation has no inherent right to carry on activities in a jurisdiction other than that in which it was created. Except for limited rights arising from the Interstate Commerce clause of the Federal Constitution, a corporation must seek the permission of the state in which it intends to carry on operations, if the state considers such operations as "doing business." Qualification, which is the term used for obtaining this permission, is not a complicated process and involves filing an application with the appropriate department of the state concerned and the payment of a usually nominal fee. The registration and payment of this fee generally must be repeated annually. In addition, arrangements must be made in many cases for the appointment of a statutory representative to accept service of process and other notices or, in some states, to designate the Secretary of State or other official to accept service of process on behalf of the corporation. Generally it is not necessary to obtain what is called a full qualification in order to purchase, service and enforce mortgage investments, as many states permit out-of-state banks to obtain a qualification which limits their activities to these matters. Few states, if any, permit an unlimited qualification by out-of-state banks, largely because the principal business of a bank is to accept deposits, which is not encouraged by sister states.

One thing has particularly concerned us. In some jurisdictions the penalties for the transaction of business in the jurisdiction by an unqualified foreign corporation are so severe as to deprive such foreign corporation of its right to use the courts of that state to enforce contracts and, therefore, mortgages covering property in that state. This is an investment peril against which FHA insurance or VA guaranty offers no protection, since the investor claiming the benefits of FHA insurance or the full benefits of the VA guaranty must tender to the relevant Federal agency an acceptable title to the property, in the case of small residential loans, which title in most cases would have to be obtained through court action. Even in large FHA loans where the defaulted mortgage can be assigned to the Federal Housing Commissioner, a mortgagee may not avail itself of the benefits of FHA insurance in respect of a mortgage which cannot be enforced or foreclosed locally.

State Policy of Attracting Capital

It is the current public policy of most states to seek to attract out-of-state capital. As a consequence there has been considerable legislation to facilitate investment by out-of-state corporations in local mortgages. This legislation takes the form either of defining permitted activities of unqualified foreign corporations as not constituting the doing of business, or of permitting some form of licensing, registration or qualification, usually of a less burdensome nature than full qualification, which in some cases is not available at all to savings banks. A word of caution with respect to such legislation which defines permitted activities. Such activities should be carefully scrutinized to make sure they cover all the acts necessary to preserve the bank's interest, including servicing and buying in the property on foreclosure and holding the same for a reasonable period. In this connection it is well to remember that the Administrator of Veterans Affairs has the option to refuse to set an upset price, in which event the holder will have no right to transfer the property to the VA.

Taking a long range view, the investor must always consider that the trend of legislation in periods of depression and foreclosures may take an opposite direction. Qualification may later be necessary, either because of new court decisions or because of foreclosure and the ownership and operation of properties thereafter. For that reason, where qualification is readily available without excessive cost and without undue exposure to local taxation, we have advised our clients to obtain and maintain such qualification. In most such states, I am happy to report, qualification in and of itself has not resulted in subjecting a qualifying bank to local taxes in a substantial amount.

About a year ago I had occasion to make a rough classification of the states where we have considered this question. (See pamphlet entitled "Out-of-State Mortgage Investments," published and distributed by the American Bankers Association in March of 1954.) Since that time there have been several favorable developments through State legislation and you may be interested in our current four main classifications with regard to this question.

In the first group are such states as Alabama, Arkansas, Florida, Illinois, Kansas, Michigan, Missouri, Nevada, North Carolina, Oklahoma, Oregon, Tennessee and Texas, where express statutory authority and administrative policy give assurance that the purchase (and in some cases the making) of mortgages on properties located there, as well as the servicing and enforcing of such mortgages are activities which do not constitute the unlawful doing of business and which do not give rise to local taxation of the lender by the state.

A second category, including California, Colorado, Pennsylvania, Virginia, Washington and Wisconsin, is one where the carrying on of a mortgage investment program, without qualification, might well constitute the doing of business and would be sufficient to preclude resort to local courts by an unqualified foreign corporate investor. In these states the defect may be cured, since the bank may subsequently qualify and thus remove its disability to sue on the mortgage contract. However, a monetary penalty, often severe, may also be incurred.

Thirdly, there is a more troublesome group which included Arkansas, Idaho and Utah. In these states, the contracts of an unqualified corporation made as a result of unlawfully doing business in the particular states are void and unenforceable by it and its assigns. See "John Hancock Mutual Life Insurance Company *v.* Girard," 64 Pac. 2d 254 (Idaho, 1936). This results in a disability to sue which cannot be cured by subsequent qualification. Obviously, in such states investment is out of the question unless the bank first qualifies or can obtain an unconditional legal opinion that its purchase, servicing and enforcement of loans are not tantamount to doing business. It is evident that in these states a seller's failure to qualify while doing business in the state may invalidate a mortgage even after it is acquired by the bank. Thus it is essential for a bank not only to avoid the unlawful transaction of business in these particular states, but also to make certain that previous holders of the mortgage investments have done so.

The fourth classification includes those states, too numerous to specify, in which special considerations apply with respect to qualification or limiting activities. Drastic money penalties for a failure to qualify may be imposed on the corporation, as in Indiana, or on its officers, as in Maryland. Certain necessary activities in connection with mortgage investments such as servicing may be held to constitute doing business in states where banks cannot qualify, as in Connecticut. In other states where banks cannot qualify, it may be determined that permitted activities not constituting doing business are sufficient to carry on a mortgage investment program, as in New Jersey. Tax consequences of qualification plus penalties for failure to do so may make certain areas, such as the District of Columbia and Hawaii unfavorable for mortgage investment.

There is a legal theory which is reflected in many state court decisions that isolated transactions by unqualified corporations, even though they are of a nature which would constitute doing business if regularly repeated, will not of themselves constitute doing business. We have felt it prudent not to rely on this rule because of its indefiniteness. For example, it is possible that even a single purchase of a large block of mortgages might be held not to constitute an isolated transaction.

Problem of Local Taxation

Local taxation is not so readily classified. Few states are wholly free from some tax worry, though many are no problem so long as no mortgages are foreclosed. Perhaps Florida wins the medal for no taxation, with no income or franchise tax and banks exempt from capital stock tax. Aside from money paid out, some state tax returns are troublesome to complete and file annually, such as Alabama, Louisiana, Ohio, South Carolina, Utah and Virginia. There are numerous states requiring small annual filing fees of $25 or less. Where there are income or franchise tax returns the usual experience is that foreign banks observing the precautions which I shall mention later are not taxable on the basis of income from mortgage investments in the state concerned, and pay only a nominal minimum tax, if any. Among the states where the restrictions on activity must be most rigidly observed are Georgia and Virginia. Once properties are foreclosed and bought in by a foreign bank, property *ad valorem* tax liability would arise, and the property tax burden would be more severe in a number of states which levy annual property taxes. These include Arizona, California, Georgia, Indiana, Kentucky, Maryland, Rhode Island, South Carolina, Utah, Virginia and Wisconsin. Should foreclosed properties be operated by the bank the income from such operation would possibly be taxable under local income tax laws, but in no case have we been advised that such taxation would "contaminate" the unforeclosed investments to render them also taxable.

Even though a bank may have qualified in a particular state, we believe it is important carefully to limit its lending practices in that state. By so doing the bank will reduce to a minimum its exposure to local taxes which, of course, could seriously affect net yield. We have recommended to our clients that, regardless of qualification and subject to local variations, they strictly limit their lending activities in states other than the one of their origin as follows:

(1) Limit site inspection of properties and subsequent inspections to the absolute minimum.

(2) Maintain no offices or employees in any states except a statutory representative where required.

(3) Refrain from instituting or carrying on any negotiations in

the state and make certain in each instance that all negotiations are consummated in the state of the client's origin.

(4) Commitments and contracts for the purchase of mortgages should by their terms be contracts governed by the laws of the state of the client's origin and should be executed by the client only in such state.

(5) Commitments should be issued directly to the seller of the mortgages and not to brokers.

(6) To the greatest extent possible, avoid or minimize all relationships with servicers, brokers, mortgage companies, originators and the like which might give rise to the existence of an agency relationship in the state.

(7) Be certain, before issuing a commitment to purchase loans, that the seller is obligated to make the loans regardless of the issuance of the commitment.

(8) Close all purchases of mortgages, and disburse all funds, either loan proceeds or purchase price of mortgages, in the state of client's origin.

(9) Make serious efforts to dispose of foreclosed property as promptly as possible and avoid operation of such properties to the greatest extent possible.

(10) To as great an extent as possible use servicing contracts under which the servicer is an independent contractor, rather than the agent of the investor.

FHA and VA Regulations

The third legal problem, FHA and VA Regulations is, of course, not peculiar to out-of-state lending, but it may be new to banks formerly concentrating on conventional lending within their own states and unfamiliar with governmental insured or guaranteed loans in the wider market. I shall have time to touch only upon one aspect of this problem, but a very important one. How far may a bank rely on the FHA or VA evidence of insurance or guaranty? As you know, the National Housing Act and the Servicemen's Readjustment Act of 1944, as amended, both contain so-called "incontestability" provisions designed to protect the purchaser of a guaranteed or insured loan against invalidity of the governmental insurance or guaranty which might result from failure of the originator or previous holder to comply with the governmental regulations. Unfortunately, this protection is not free from doubt, particularly in the case of VA mortgages, where the protection is given to a holder "without notice." What is absence of notice? If the new holder should have known from the loan documents or from other sources that the purchase price exceed the reasonable value fixed by the Veterans Administration, can it claim immunity from its imprudence? What loan documents is it imprudent not to require to be submitted with the loan papers? It is made more difficult to ignore or not require VA papers such as the Certificate of Reasonable Value, the VA Commitment and the Certification of Loan Disbursement because of the widespread practice of prudent lenders of requiring and inspecting these papers.

There is another aspect of this problem where the bank has any sort of continuing relationship with mortgage originators. To what extent may the government claim that an agency relationship exists between bank and originator, thus imputing a breach of regulations by the latter to the former? See the opinion of the VA Solicitor (now General Counsel) dated Dec. 12, 1950 (Op. Sol. No. 595-50), to the effect that an agency relationship does exist. For these reasons many institutional investors have taken the conservative view, with which I concur, that all pertinent VA and FHA papers be examined along with the examination of the legal papers, for conformity with applicable regulations. We do this having in mind a possible time which I hope never comes, when there are widespread foreclosures and claims on governmental insurance contracts and guaranties. It is not inconceivable that in such case these agencies will take a close look at the claimant's contract rights.

Let me mention here a practical matter which concerns many out-of-state lenders. That is, how to assure speedy payment to the out-of-state originator. This is of interest to the bank as well as the originator, since it helps the originator to furnish future loans using funds otherwise tied up. One method, used with originators of good credit and stability, is to purchase immediately upon shipment of the papers, subject to repurchase by the originator if the bank's legal examination discloses defects. A second method widely used in recent times is the employment of a commercial bank as a source of interim financing, such bank accepting a pledge of the papers or purchasing the loans subject to repurchase. This latter method of interim financing recently under a cloud but now apparently approved by such credit authorities as the Federal Reserve Bank, has the great advantage of permitting the savings bank to time its acquisition of loans to the availability of funds, while assuring prompt payment to the originator. Time does not permit a discussion of the various legal problems raised and successfully met by various forms of interim financing.

In conclusion, I would like to point out that any bank entering upon an out-of-state mortgage program would do well to instruct its originators carefully in advance as to its legal requirements for acceptable mortgage investments. This simple step will repay many times over the effort in avoiding time consuming and sometimes costly delays in obtaining corrections and additional documents where distance and differing legal practices make errors doubly irritating and burdensome.

Now Van Grant & Co.

SALT LAKE CITY, Utah—The firm name of Federated Brokerage, Inc., 42 West Broadway, has been changed to Van Grant & Co.

Goodwin Harris Co. Inc. Opening in New York

Goodwin Harris & Co., Inc. has been formed with offices at 149 Broadway, New York City. Officers of the corporation, which is affiliated with Goodwin Harris & Co. of Toronto, are Peter L. Robinson, President; Roger A. Wilson, Vice-President; and Chester P. Schneider, Secretary and Treasurer.

Mr. Schneider, who will act as New York Manager was formerly Manager of the Canadian Stock Department for A. M. Kidder & Co.

Public Utility Securities

By OWEN ELY

Panhandle Eastern Pipe Line Company

Panhandle Eastern Pipe Line is one of the most successful of the integrated natural gas systems. During the postwar period revenues have increased from $24 million to $91 million; share earnings from $2.14 (after adjustment for a split-up) to $5.00 and the dividend from $1.00 to $3.00; while the price of the stock has advanced from the 1945 low of 12 (as adjusted) to the recent 1955 high of 88 (now 76).

Panhandle operates a 5,816-mile natural gas line from the Texas Panhandle field to Detroit and Saginaw, Mich., with a daily capacity of 1.4 billion cf. The subsidiary Trunkline Gas (97% controlled) operates a 1,300-mile line with a daily capacity of 255 million cf. from the Texas Gulf Coast to a tie-in with the Panhandle line of Tuscola, Ill. Natural gas is sold principally for resale in 412 communities with a population of 12,300,000 in Kansas, Missouri, Illinois, Indiana, Michigan and Ohio.

Panhandle produces only about one-fifth of its gas needs, but is rapidly expanding its own production. Following the FPC "fair field price" decision of April 15, 1954, the company greatly increased its exploration and development activities. Natural gas production from Panhandle's own wells has been stepped up from 79 billion cf. in 1954 to an estimated 92 billion cf. in 1955 and will probably be further increased to 110 billion cf. or more in 1956.

In the past year 1,160 million cf. of open-flow capacity have been added to the company's own reserves, now estimated at 3½ trillion cf. The over-all gas supply of about 11½ trillion cf. (including controlled reserves) is equivalent to 28 years of the present output of about 420 billion cf. annually. Replacement cost of Panhandle's major properties is estimated to be about 60% in excess of book value. Once the regulative situation is clarified, Trunk Line, which at present produces no gas of its own, will probably enter the production field. It now purchases its gas from independent producers in the Gulf Coast fields, the majority of its contracts having a minimum term of 20 years.

Panhandle has a 25% interest in Michigan Gas Storage Co., the remaining 75% being held by Consumers Power. The Storage Company operates three gas storage fields located in the north central part of Michigan with a combined storage capacity of 26 billion cf. of gas. The company now has a daily delivery capacity of 435 million cf. Panhandle received $318,750 in dividends in 1954 on its investment of $3,750,000 in the Storage Company.

National Petro-Chemicals Corp. was organized in 1951 by Panhandle Eastern and National Distillers Products, to engage in the extraction and manufacture of various chemicals from natural gas. Panhandle has a 40% interest. The company's products have a great variety of uses—for motor and heating fuels; in the manufacture of high octane aviation gasoline; and for production of tetra-ethyl lead, synthetic rubber, explosives, pharmaceuticals, plastics, etc. In the latter part of 1953 construction was started on facilities for the production of 26,000,000 pounds of polyethylene annually. This plant was completed during 1955 and is operating considerably above designed capacity; the product is said to be a "big earner."

Panhandle, while not strictly a utility company since its business is wholesale, has had some important rate cases before the Federal Power Commission. The principal case involved rates filed in August, 1951 (put into effect under bond) and decided by the Commission in April, 1954. In its historic decision the FPC allowed the company to value the gas which it produced itself at the "fair field price." It was permitted to retain profits from gasoline extraction operations, as well as the tax benefits from depletion and intangible drilling expenses. Rate of return was fixed at 5¾% on net original cost. While the company had to make substantial refunds to customers, it did receive a rate increase of about $12,779,000, and a further increase of $7.3 million went into effect last January, subject to refund.

The company is naturally much interested in the outcome of the Congressional fight over the Harris-Fulbright Bill, which southern democrats will attempt to put through the Senate in January (it has already passed the House) while a number of northern gas utility retailers will oppose it. Panhandle contends that if the bill is not passed and the FPC then attempts to regulate gas producers this will be a blow to the industry's drilling program, which sustains and increases the amount of gas reserves needed to guarantee future deliveries to the pipe lines.

The capital structure of Panhandle and Trunkline are approximately as follows:

	Panhandle Eastern, 12-30-55		Trunkline Gas, 12-31-54	
Long-Term Debt	$140,000,000	60%	$55,000,000	70%
Preferred Stock	12,000,000	5	7,000,000	8
Common Stock Equity	80,000,000	35	17,000,000	22
	$232,000,000	100%	$79,000,000	100%

Vice-President Leslie Fournier, in a recent talk before the New York Society of Security Analysts, estimated earnings for the calendar year 1955 at $5 a share, and for 1956 at $6-$6.50. National Petro-Chemical will ultimately contribute about 50c-75c a share to the parent company, he said. Panhandle does not plan any equity financing in 1956.

Panhandle has been selling recently around 76 and paying $3.00 to yield nearly 4%. Based on this year's estimated $5 earnings, the price-earnings ratio is 15.2; based on next year's maximum estimate of $6.50, the P-E ratio would drop to 11.7. These figures compare with the recent industry average around 15.3. However, the earnings estimates presumably include the rate increase filed a year ago, which is being collected under bond.

Shields & Co. Admit Three New Partners

The investment banking firm of Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange, announces that Eugene H. Catron, Homer F. Locke, and Thomas H. McGlade have been admitted to the firm as general partners.

Eugene H. Catron

Homer F. Locke

Thomas H. McGlade

Mr. Catron became associated with the new business department of the firm a year ago. Before that he was Vice-President of F. Eberstadt & Co. Inc. During World War II, Mr. Catron was on the staff of the War Production Board and later served as a Commander in the U. S. Naval Reserve.

Mr. Locke joined the municipal bond department of Shields & Company in 1942, and became manager of that department in 1950.

Mr. McGlade had his early investment experience with the Sun Life Assurance Company of Canada and later was associated with the Empire Trust Company of New York and Hayden Stone and Company. He joined the corporate bond department of Shields & Company in 1952.

Continued from page 3

Long-Term Capital Market Outlook

outlook for the real estate mortgage market next year. This is justified because the predominant use of long-term funds in 1955 was in the mortgage market, and it is my guess that a similar situation will prevail next year. Moreover, it is a highly dynamic market whose future is much more a controversial subject.

Mortgage Market Reviewed

In speculating about the mortgage market next year, it is helpful to recount briefly what has been happening in this area in the last two and one-half years. The sequence of events, touching the high spots as I visualize them, is as follows. When the Federal Reserve moved to a policy of "active ease" in mid-1953 a prompt decline in government and corporate bond yields was set in motion, particularly in the case of new issues. At about the same time, due to the drought which had occurred in the availability of funds for FHA and VA mortgage loans in the first half of 1953, the contract interest rate on VA and FHA loans was raised to 4½%. Moreover, a most significant but little appreciated step was taken at that time in an amendment to the Servicemen's Readjustment Act making it clear that it was legal for VA mortgage loans to be purchased at a discount. The outcome of the decline in government and corporate bond yields and the higher contract interest rate on government-insured and guaranteed mortgages, along with a reduction in new offerings of corporate securities, caused a big shift by institutional investors into VA and FHA mortgage loans. Yieldwise these loans became a real bargain.

For several months after funds had begun to flow heavily into the VA and FHA field the demand for mortgage loans on terms providing for a modest down payment and an amortization period not exceeding 25 years was great enough to absorb the enlarged flow of funds. By the Spring of 1954, however, in order to encourage the desired volume of VA and FHA loans, institutional investors relaxed their lending terms and made more and more of these loans on a 30-year no-down-payment basis, the maximum permitted. Indeed, in the late Spring of 1954 we witnessed the so-called "no no-down payment loans." On the basis of these financing terms a whole new market for residential construction and mortgage financing was opened and residential construction climbed to record levels. This development has interesting implications for economic theorists in that it presented a situation in which the supply of mortgage funds virtually created its own demand. By this I mean that an increasing supply of mortgage funds was made available on progressively easier credit terms, but without any significant change in interest rate, and this development brought about a substantial shift to right of the whole demand curve.

By the Autumn of 1954 many of the institutional investors in the real estate mortgage market had built up a large volume of forward commitments. The reaction to this situation was that some lending institutions began to adopt less easy terms in order to ration their funds. Thus, we began to hear more of a 5% down payment and a 25-year or even a 20-year amortization period. At the same time, other institutional investors, moved by the highly attractive yield on VA and FHA mortgages, continued their interest in 30-year no-down-payment mortgages and began to make arrangements for the warehousing of mortgages with banks in order to raise funds above and beyond their regular cash flow. In some instances the warehousing was simply the result of a heavy commitment position and a reluctance to go out of the market. In the case of saving and loan associations this type of activity took the form of increased borrowing from the Home Loan Bank System. Concomitantly, beginning in the Autumn of 1954 and continuing to the present we have had a deepening of discounts on VA and FHA mortgages, particularly in certain areas of the country and for those with the easier credit terms.

The stimulus to residential construction and mortgage lending brought about by the sequence of events which I have outlined led in the Summer of this year to the action taken by the VA and the FHA requiring a 2% down payment on Government-insured and guaranteed loans and a maximum amortization period of 25 years. We also had the action taken by the Federal Reserve to curb the expansion of warehousing of mortgages and similar action taken by the Home Loan Bank Board, but relaxed recently, to restrict the expansion of credit to saving and loan associations.

Mortgage Market Outlook

Looking back at the developments which occurred in the mortgage market in the past several months, and looking forward to what is likely to occur next year, there are two significant developments which should be kept in mind. First, by virtue of the increase in the contract rate on VA and FHA mortgages to 4½%, along with the legalization of discounts on VA mortgages, we now have a situation in which the rates on VA and FHA mortgage loans have a fair amount of flexibility and a capacity to adjust themselves to change in the capital market. This is a far cry from earlier years in the postwar period in which periodically in tight money periods the flow of funds was completely cut off from the FHA and VA market because of rigidity of interest rates in this area. The new flexibility is lessened, however, as the discounts deepen.

The other significant development is that, contrary to past experience, in this period of tightness in the capital market yields on corporate bonds and Government securities have shown a remarkable degree of stability. This means that we have not had in recent months the lure of rising yields on new corporate bond offerings to attract money away from the mortgage market. The explanation of why corporate and Government security yields have not risen much more in the face of pressures in the long-term funds market is puzzling to investors. One explanation is the heavy concentration of investment by pension funds and state and local funds in corporate and Government securities. By and large these institutions are not active in the mortgage market. Added to this, institutional investors active in the mortgage field, in raising additional funds to invest in mortgages, have as I noted frequently followed the policy of resorting to warehousing arrangements rather than to the sale of Government securities or corporate holdings. Restrictions on warehousing may change this situation.

What, then, are the implications of all of this for the real estate mortgage market in 1956? Looking first at the supply of mortgage funds, it would be my guess that we shall not see any diminution in the over-all supply of mortgage funds next year. However, there may occur some further shift toward conventional residential mortgage loans and to mortgage loans in the industrial and commercial category because of relatively more attractive yields and bigger demand. The volume of funds available for FHA and VA loans should remain high, but it will be determined primarily by the maintenance of flexible rates in this area and more importantly by the demand for FHA and VA loans.

Turning to the demand side of the market, I believe that a high level of national income will lead to a continued expansion of conventional residential mortgage financing and a further increase in commercial and industrial mortgage loans. A great deal is being said these days about the restrictive effect on the demand side of the 2% down-payment and 25-year amortization period in connection with VA and FHA mortgage loans. Although one shudders at the thought that these relatively easy financing terms could have much effect on the housing market, there is general

agreement that the five-year shorter amortization period does cut into the number of people who can qualify for a Government-insured or guaranteed loan. If a relaxation of inflationary pressures in homebuilding permits, we are certain to see a restoration of the 30-year amortization period. Indeed, it is a good bet that political pressures will bring about a longer amortization period far ahead of the time in which it is economically justified.

General Conclusion

My general conclusion is, therefore, that 1956 should witness another record expansion in the volume of real estate mortgage indebtedness. Moreover, I expect that mortgage lending will be done on firm to rising rates.

What about the balance of the long-term capital market? First, in brief, it does not appear that the Federal Government will be a net borrower to any great extent next year. There will be a desire on the part of the Treasury to do some long-term refunding, but I rather imagine that many institutional investors will continue to find other outlets more attractive. It seems likely, therefore, that the bulk of the refinancing will be in the short-term area. There is one interesting possibility which presents itself, namely, the trend toward a pattern of rates in which short-term rates may rise above long-term rates. If this trend continues we could witness a situation in which the Treasury may find it more and more advantageous to lengthen its maturities. With respect to the general level of yields on long-term Treasury securities, I do not anticipate any major change next year because of the relatively scarce supply of long-term securities and the heavy activity of pension and state and local funds in this area.

With regard to corporate securities, it seems logical to expect that the volume of net new offerings in 1956 will be of about the same order as this year. Again, because of the concentration of pension funds and state and local funds, I do not anticipate any appreciable improvement in yields on publicly offered securities. However, if the market for long-term funds continues as tight as I expect it to be, I think it is reasonable to anticipate some moderate rise of yields in the area of corporate securities directly placed with investors.

In the area of state and local financing the plans which we hear about seem to indicate that 1956 should bring out a large volume of securities in this area. In view of the over-all situation in the capital market, we may likewise see some moderate improvement of yield here.

Finally, my views on the outlook for the long-term capital market in 1956 might be summed up as follows. First the investment of long-term funds will be carried out in the environment of a highly active economy. Secondly, in the aggregate the demand for funds will outrun the supply of savings and will create a pressure for further expansion of bank credit. Third, in the face of this pressure I expect the Federal Reserve to continue a restrictive credit policy and that as a result of this policy, plus the natural market forces, long-term interest rates generally will be firm and some may move to moderately higher levels.

Form Pasternack Co.

Pasternack & Co. has been formed with offices at 25 Broad Street, New York City, to engage in a securities business. Partners are Morris Z. Pasternack and Eugene Ross, general partners, and Harry Sackren and Harold Steinberg, limited partners. Mr. Pasternack was formerly a partner in Kamen, Pasternack & Co.

Bond Market in 1955 and This Year's Outlook

"Year-End Bond Survey" of the Halsey, Stuart & Co. Inc., after reviewing last year's activities, cites prospect of a comparatively stable price structure in 1956 with future industry construction programs exceeding last year's level. Reduced volume of corporate and tax exempt bonds, less favorable refunding operations, and a good year for rails and consumer credit marked 1955.

The bond business, hampered by the nation's extraordinary demand for short-term rather than long-term credit, joined agriculture as one of the few segments of the economy that failed to enjoy the general boom times of 1955, Halsey, Stuart & Co. Inc. said in its annual year-end survey of the bond market.

Even so, the momentum developed by business and industry during the year is continuing to create a need for financing and both the taxable and tax-exempt bond markets will be active in 1956, the survey predicted.

1955 In Retrospect

In its discussion of developments in the bond market in 1955, the survey commented as follows:

"The increase in short-term rates obviously had some influence on long-term rates. It created a 'wait and see' attitude on the part of corporations seeking long-term funds, which further strained the short-term market. A similar attitude was evident on the part of some institutional investors. The impact on corporate financing was manifested by a reduction in corporate bond offerings from $7.5 billion in 1954 to about $6.9 billion in 1955. Offerings of tax-exempt bonds, due largely to fewer offerings of revenue bonds, declined about $1 billion from the preceding year's record high. The decline in volume was a potent factor in sustaining long-term prices in the face of substantial declines in short-term prices. Actually, long-term prices in both the corporate and tax-exempt fields fluctuated within narrower limits than prevailed the year before.

"Like agriculture, the bond business was one of the few segments of the economy which failed to enjoy the general boom. Agriculture was plagued by oversupply, coupled with the rapid recovery and expansion of food production in foreign countries. In the bond business, however, it was not a question of oversupply. Here a deterring factor was the outpouring of real estate mortgages which provided a net increase in the first nine months alone of some $13 billion, an amount exceeding all of 1954's net increase of $12.5 billion. Also, business, industry and the consumer turned to credit — chiefly short-term — to fill the added money requirements created by burgeoning production and distribution of goods.

"Total corporate financing, including both bonds and stocks, was about $8.9 billion in 1955, compared with $9.5 billion in 1954. Of the 1955 total, bond financing represented about $6.9 billion and stock financing about $2 billion, as against $7.5 billion and about $2 billion, respectively, in 1954. Some $4 billion of the 1955 bond total were sold publicly, about the same as in 1954.

"Market conditions in 1955 were somewhat less favorable for refunding operations, and issues sold to retire other securities declined from 20% of the 1954 bond total to about 15% of the 1955 total.

"In the public utilities field, electric, gas, water and communications financing totaled $3.4 billion, of which $2.5 billion were in debt obligations. A year before, the totals were $4.3 billion and $3.5 billion, respectively. The decline in utilities issues reflected the less favorable market in 1955.

"Aside from equipment financing, railroad issues publicly offered in 1955 totaled $438 million, of which 92% represented refunding. Outstanding among the refunding offerings was a $280 million issue of Baltimore & Ohio bonds which alone exceeded the $267.5 million total of all railroad obligations publicly offered the year before.

"Public offerings of railroad equipment trust certificates continued at about the same rate as in the preceding year, with $173.5 million sold in 1955 and $174.5 million in 1954.

"The consumer credit industry was active with both debt and equity issues and accounted for a substantial amount of 1955's total financing. Companies in the field totaled some $1.7 billion in 1955 offerings, about 73% of it in bonds, against approximately $1 billion and 70% in 1954.

The Outlook for 1956

With reference to this year's probabilities, Halsey, Stuart & Co. express the following opinions:

"The strong momentum developed by business and industry during 1955 continued at year end, but some limitations to further expansion were beginning to assert themselves. Shortages were appearing in some basic materials, labor shortages were showing and restrictions on the supply of credit were having their effect. Especially was the latter true in home building and consumer borrowing, both of which had been big contributors to the high level of business activity in 1955, and more recently it has been evident in business borrowing.

"The long range construction programs of industry still point upward. Projected programs for 1956 exceed even the records of 1955. If these programs are followed, a good volume of debt financing is in prospect, especially among the utilities which normally issue long-term bonds for construction of plant and equipment.

"Home mortgages, which absorbed so much of the long-term credit in 1955, probably will slacken in volume under the influence of the rather gentle mortgage credit restraints already in force. The tremendous number of homes constructed since the end of the war also may serve to slow up home building and mortgage borrowing.

"In the tax-exempt field, the big revenue issues of recent years may not be forthcoming, but the nation's growth will continue to require a high volume of smaller state and municipal offerings, as in 1955.

"Credit policies may be expected to continue to exert a pressure until it becomes evident that the rate of economic expansion is being retarded. This may be looked for in the next few months. Also, any long-term offering by the Treasury department would have a prompt influence on the long-term bond market.

"An over-all leveling off in activity, which is certainly preferable to a runaway boom and the severe decline which inevitably follows, will bring some easing in demand for credit. The potential supply of long-term bond financing which appears in the making and the continuing growth of investment funds of the principal long-term investors indicate a reasonably well balanced supply and demand relationship in the bond market. This should result in a comparatively stable price structure over the year ahead."

Securities Salesman's Corner

By JOHN DUTTON

The Personal Touch!

The investment business is a PERSONAL and intimate type of activity. When you realize that of all the various kinds of relationships that occur between buyer and seller, there is hardly any other business where the buyer relies on the seller's honesty and ability to the extent that he does when he invests in securities. The savings of a lifetime are entrusted to another and the results of good or bad investing are swift and certain. I sometimes believe that if people stopped to realize the implications of this relationship they would certainly make it a point to "buy the investment firm and the man with whom they are doing business," and once they have found that they have the proper advice they should confine their business when possible to this one person and firm. Many investors do this. They are loyal because they have discovered that their minds are relieved and the results are better.

By making a study of your accounts you will find that some of them are not emotionally equipped to turn over all their business, and thereby establish the confidence which is a necessary ingredient to such a relationship between buyer and seller. But those who are so inclined will be more than pleased to have you handle all their transactions in securities if you will first make it plain to them that you are only interested in HELPING THEM TO ACHIEVE CERTAIN OBJECTIVES THAT THEY FIND MOST DESIRABLE. Find out which is the most important consideration to them—INCOME NOW—OR LATER. Find out all you can about their problems. Their income tax status, their ability to save, their inclinations in investments (speculative or conservative), and the personal likes and dislikes (prejudices) they may have. Then go to work for them by showing them your interest.

Follow Up of Telephone Sale

Several months ago I had a referral from a valued client who told me that one of his colleagues, who was another busy Doctor, would like to invest in a new issue that I had offered to my client. He said that he had told him about me and that I should telephone his friend. We had a brief talk and after he made the commitment I told him that I appreciated that he was busy and therefore I would not telephone him unless I had something of importance to tell him. Also, if he was not available when a call was necessary, that I would leave a message with his secretary and he could call me back at his convenience. He said he appreciated this and after a brief conversation we concluded our talk.

Several weeks later, after he had paid for the stock he had bought and it was delivered I sent him this letter:

Dear Doctor ——————,

Since you are busy at your office I thought you might be interested in reading my views regarding what we might be able to accomplish by working together on investments in the future, and some of the philosophy of investment that Dr —————— (his friend) and I have found to be successful.

The high income taxes on current income, and short-term capital gains (under six months), have made it more desirable to seek out investments that will appreciate in value, rather than to strive too much for high current return. In this way you can build up your capital, providing we are successful in selecting worthwhile growth situations.

If this is of interest to you and if you have any other ideas of your own I would appreciate your advising me. Meanwhile, with kindest regards and good wishes, I remain,

Very truly yours,

This short letter, which also included a personal inventory form and a return envelope, was sent with this P. S. on the letter: "If you would like to fill out the enclosed personal inventory form and you think it will help me to work with you, please do so."

The form was returned to me along with a note which said, "How about luncheon some day soon"? Sometimes a short letter that shows your interest in a NEW CLIENT after you have made your first sale can open the door to a most desirable business relationship.

Smith to Manage New Bache Office

BEVERLY HILLS, Calif.—Harold L. Bache, senior partner of the New York Stock Exchange firm Bache & Co., has announced the appointment of Sam J. Smith as resident partner in charge of Baches new Beverly Hills offices.

Sam J. Smith

Mr. Smith joined the firm's New York office staff in 1922 and became a partner in 1937. In addition to activities in the firm's fiduciary and market analysis and research departments, Mr. Bache continued, Mr. Smith had been author of the firm's daily market comments and securities recommendations for over 25 years. During his 33 years with the firm he achieved a national reputation as a writer on market trends and economic developments.

The Beverly Hills offices when opened next month at 445 North Roxbury Drive will have a staff of between 25 and 35, according to Mr. Smith. This includes registered representatives and office assistants.

Now Allan, Miller, Groezinger, Keesling & Martin

SAN FRANCISCO, Calif.—The law firm of Allan, Miller & Groezinger announce a merger on Oct. 1 with the firm of Keesling & Keesling and that it will continue the general practice of law under the name of Allan, Miller, Groezinger, Keesling & Martin with the following partners: Thomas A. Allan, Dudley F. Miller, Leland B. Groezinger, William H. Keesling, Joseph Martin, Jr., Robert Metcalf Jones and Paul A. Schumann. Offices are located at 400 Montgomery Street.

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Problems Relating to Currency Convertibility

the costs of food, raw materials and equipment; it would have encouraged a bidding up of prices and wages that would have added a gigantic postwar inflation to the already considerable wartime inflation. The long-run interests of American producers could not be served by putting dollar goods in a price range beyond the reach or the hopes of European consumers.

In the actual event, severe import restrictions could not provide the resources for reconstruction on the scale and at the pace that proved to be necessary. Import restrictions had to be supplemented by rationing of consumption in order to leave more output for investment and for exports. Even so, postwar aid from the United States, Canada, and other countries, and from international institutions was indispensable. At the same time, we must not underestimate the contribution that these countries made to their own reconstruction through hard-work and self-denial. Large and generous though foreign aid was, the greater part of the resources for reconstruction came from the production and the savings of their own people.

Extent of Postwar Economic Recovery

The reconstruction of wartime damage and the resumption of disrupted trade have been virtually completed in most countries hard hit by the war. A far better recovery has been made this time than after the First World War. The world economy today is prosperous and strong. We have good reason to believe that most countries will deal with their internal and external economic problems in a broad and constructive way. It is for these reasons that the Managing Director of the International Monetary Fund, Mr. Ivar Rooth, has said "that the conditions that necessitated the postwar transitional arrangements are passing away."

The extent to which the world economy has recovered from the effects of the war is indicated by the growth in production and trade. In the large trading countries of Western and Northern Europe,[1] for example, industrial production in the first half of 1955 was about 70% higher than immediately before the war. Of course, the increase in the gross national product is not as large as the increase in industrial production, and allowance must also be made for the fact that their population is now about 13% higher than it was in 1937.

A similar recovery has taken place in world trade. In the first half of 1955, the volume of world trade (outside the Soviet bloc) was nearly 70% larger than before the war. Most of this increase has taken place since 1948, and much of it is accounted for by the expansion of exports of the large trading countries of Western and Northern Europe. While the dollar value of total world exports increased by 50% between 1948 and the first half of 1955, the dollar value of the exports of these countries of Western and Northern Europe increased by nearly 90%. A very substantial part of this increase has been in exports to dollar countries.

The consequence of the growth and redirection of world trade has been the emergence of a surplus in the overall dollar accounts, including aid, of the rest of the world. In 1953, the countries outside the United States (exclusive of the Soviet bloc) added about $2.5 billion to their gold and dollar reserves. In 1954, they added another $1.7 billion to their reserves. The replenishment of reserves is continuing, although on a more limited scale. Since 1950, the free countries outside the United States have added nearly $10 billion to their gold and dollar reserves. Nevertheless, the reserves of some important trading countries, notably the United Kingdom, are still far too small for their present and prospective needs.

Although the world economy has recovered from the effects of the war, many countries are still confronted with payments difficulties. These payments difficulties are not postwar transitional problems. They are largely the manifestation in actual or suppressed payments deficits of inflationary pressures arising from overambitious plans for investment and excessive expectations for consumption. Such pressures must be expected to recur from time to time in individual countries. They are part of a dynamic world in which national policies are adapted much too slowly to the changing circumstances with which they must deal.

The nature and the magnitude of the payments difficulties now being experienced by the United Kingdom and the sterling area are indicative of the great change in the world payments situation. In the past 15 months there has been a decline of about £240 million in the reserves of the United Kingdom. Such a deficit is not large compared either to the total payments of the sterling area or to total production in the United Kingdom. It is essentially the result of excessive demand in the United Kingdom and some Commonwealth countries. It is heartening to have the Chancellor of the Exchequer say: "It is not by physical controls that we intend to solve our difficulties, nor shall we go back on our policy of widening trade and moving to a system of freer payments."

The world has moved a long way since balance of payments deficits were measured in billions and every country was desperate for dollars. Not in a generation has the world's dollar payments position been so strong or its prospects so promising. Under the circumstances, it is understandable that there should be some impatience that inconvertibility should continue under the transitional arrangements. This impatience must not lead us, however, to overlook the notable progress that has been made toward convertibility during the past few years.

De Facto Convertibility of Sterling

There is a tendency to think of convertibility in absolute terms. This is a common fallacy: a currency is said to be either convertible or inconvertible. As a practical matter, there are vast differences among currencies classified as inconvertible; some are little better than blocked funds, others are almost equivalent to dollars. If we think of convertibility in relative terms, we can see much better how close a currency like sterling has come to being convertible outside the sterling area. In particular, the widening of the transferable account area, which now embraces all countries outside the sterling area and the dollar area, has added enormously to the multilateralization of trade, since transferable sterling can be used for payments to and from all countries except in the dollar area, and can be converted into all currencies except those of the dollar area.

Apart from this, there has been a steady approach in the equivalence of sterling and dollars in the exchange market. American account sterling, representing receipts from current transactions by a resident of dollar countries, could always be sold on the official exchange market for U. S. dollars at a rate within ¾% of parity. On the other hand, until recently transferable sterling, representing receipts from current transactions by residents of countries not in the dollar area, could not legally be sold for dollars under the exchange control provisions of the sterling area. Actually, such transactions were arranged in some markets of uncertain respectability.

Just before the devaluations of 1949, transferable sterling sold for a discount of about 20%. Today, transferable sterling can be sold for dollars at a discount of 1% below the rate for American account sterling in the exchange markets in Zurich and New York. While such transactions are not nominally in accord with the exchange regulations of the United Kingdom, no effort is made to prevent them; and there is official support to keep transferable sterling from departing too far from official sterling. Even security sterling, representing capital transfers of nonresidents of the sterling area, can be sold at about the same rate as transferable sterling.

Progress toward reducing dollar import discrimination in the United Kingdom and the sterling area has not kept pace with the *de facto* convertibility of sterling in the exchange market. Nevertheless, considerable progress has been made. In the United Kingdom, most raw materials and foodstuffs, including all the major ones, can now be imported without discrimination. In other sterling area countries, a substantial part of their imports is bought on a competitive price basis, without preference for nondollar currencies. What remains of dollar discrimination in the United Kingdom and the sterling area, although not negligible, is relatively small in comparison with the total imports of these countries and in comparison with the discrimination that prevailed only five years ago.

The conditions necessary for convertibility are being rapidly attained. The dollar earnings of the rest of the world are large and there is good reason to expect that they will continue to grow. Under such conditions, it should be possible to establish and to maintain a strong and balanced pattern of international payments under the heightened competition of convertibility. As the world approaches such a pattern of payments, we shall find that countries will behave as though their currencies are in fact convertible, even if the currency is not convertible *de jura* and even if the country clings to the transitional provisions of the Fund Agreement.

As sterling and other leading European currencies become, in practice, more and more nearly equivalent to dollars through *de facto* convertibility in the exchange market, the reliance on dollar discrimination for balance of payments purposes will gradually pass away. It is an illusion to believe that a great trading country can attach to itself a large trading area in which an inconvertible currency will continue indefinitely to be used in international payments and held as reserves. So long as world trade is at a high level, dollar payments are well-balanced, and dollar markets open and prosperous, few countries will be willing to enter into special arrangements involving discrimination, accumulation of inconvertible foreign exchange, and excessive dependence on controlled markets. The trade policy of the United States is of vital importance to convertibility.

Problems of Convertibility

With a world payments environment favorable to convertibility and with exchange markets behaving as though the leading currencies were almost convertible, the question arises why there is hesitation in taking the final step of placing international payments on a convertible currency basis. The United Kingdom and the sterling area are having some difficulties in keeping their payments in balance. These difficulties are not large in magnitude and they should be overcome in the coming year, now that more forceful policies are being put into effect. It is understandable that convertibility of sterling should be put off temporarily to a more favorable time. The problem, however, is not wholly one of timing.

There is a tendency in the United Kingdom to exaggerate the adverse effects on sterling area payments of the heightened competition of convertibility. Temporary payments difficulties should involve no greater strain on the gold and dollar reserves with convertibility than they do now. Directly or indirectly, the United Kingdom is already paying gold and dollars for the deficits of the sterling area. The only protection for the reserves of the sterling area is a strong payments position.

Nevertheless, many people in Britain have great emotional resistance to convertibility. They are apt to associate convertibility at this time with the great deflation in the 1920's when the gold standard was restored, or with the rapid depletion of reserves during the abortive attempt to undertake convertibility in 1947. And when payments difficulties do arise, as they must from time to time, they will somehow be attributed to convertibility. This is a practical political obstacle to early sterling convertibility.

There are some real problems that must be dealt with before sterling is made convertible. The United Kingdom is concerned that other countries should not impose restrictions and discriminations against the sterling area for the sole purpose of converting sterling into gold or dollars. Countries contemplating convertibility need assurance that they will not be hampered in competing for world trade by such measures, particularly systematic discrimination through bilateral agreements. The Fund is already taking steps to secure the full collaboration of all countries in reducing and eliminating as rapidly as practicable, their reliance on bilateralism.

The United Kingdom also needs assurance of adequate reserves to enable it to proceed with convertibility of sterling when conditions are favorable. Once the convertibility of sterling is undertaken, it must become the settled policy of every British Government to maintain it in accordance with the Articles of Agreement of the Fund. There is a possibility that whenever sterling is made convertible, there will be some immediate impact on the exchange market, particularly through capital movements. Even though such capital movements would probably soon be reversed, reserves should be available to meet this contingency and to give confidence that the continued convertibility of sterling, once undertaken, can never be in doubt. The Fund has stated on a number of occasions that it is prepared to use its resources generously to help countries undertaking convertibility.

Concluding Observations

The worldwide trade and payments conditions necessary for convertibility are being achieved. The near equivalence of the leading currencies in the exchange market, the real cost of maintaining trade and payments discriminations, and effective international economic cooperation are moving the world steadily toward a multilateral system of payments based on the convertibility of currencies. I have no fear that countries will depend on the technicalities of the transitional provisions to delay unduly the restoration of convertibility. As the Chancellor of the Exchequer said at the Annual Meeting of the Fund in Washington in 1954:

"Article XIV of the Fund, which permits a fairly facile use of restrictions to deal with balance of payments difficulties, was intended as a temporary provision to deal with the difficulties of the postwar situation. There may well be danger in continuing for too long a transitional provision of this kind. It is important that the international rules and regulations correspond with the realities of current conditions."

The practical problem is to find the means to move from the transitional arrangements permitting inconvertibility to the permanent arrangements requiring convertibility, with exchange restrictions and discriminations subject to the Fund Agreement. The movement to this new regime must be accomplished without risking the progress already made in strengthening the pattern of world payments. With goodwill and mutual understanding among the great trading countries, with leadership and strength provided by the International Monetary Fund, I am confident that this problem can be met.

[1] These data refer to the following nine countries: United Kingdom, France, Germany, Italy, Netherlands, Belgium, Sweden, Norway, and Denmark. The currencies of these countries are not convertible.

W. T. Grimm Co. Elects Officers

CHICAGO, Ill.—Announcement of a change by W. T. Grimm & Co., 231 South LaSalle Street, from a proprietorship to a corporation, and election of four new vice-presidents, was made by W. T. Grimm, President. The company, a financial consultant firm specializing in direct placement loans and negotiation of mergers for industrial corporations, was founded in August, 1951. W. T. Grimm, President, was formerly associated with Kidder, Peabody & Co., and prior to that, with the First Boston Corporation. The firm is a member of the Investment Bankers Association and the National Association of Security Dealers.

New vice-presidents appointed are Frank D. Foss, in charge of the Direct Placement Division, J. Fred Risk, to head up the Sales and Merger Division, James S. Myers to direct the New Business Division, and Lue D. Cramblit, who will be in charge of the firm's West Coast office in Los Angeles.

R. E. Hepinstall Opens

NEW ORLEANS, La. — Robert E. Hepinstall is conducting a securities business from offices at 2925 Coliseum Street, under the firm name of Hepinstall Investment Services. Mr. Hepinstall was previously with Randolph Newman & Co. and Renyx, Field & Co.

Drachman Admits

Drachman & Co., 570 Seventh Avenue, New York City, will admit Frank Stave to partnership on Jan. 13.

Gilligan, Will Admits

Gilligan, Will & Company, 123 Greenwich Street, New York City, members of the American Stock Exchange, on Jan. 1 admitted James F. Will to partnership.

SEC Reports Expansion and Activities In the Securities Market During 1955

Chairman J. Sinclair Armstrong, in year-end statement, points out new high levels were reached in 1955 in the number of issues and the aggregate market value of securities traded on exchanges. Reports also an increase in registered securities brokers and dealers now doing business. Says all these developments place heavy responsibility on the SEC in performance of its duties.

Chairman J. Sinclair Armstrong of the Securities and Exchange Commission in a release issued Jan. 2 for the Commission, stated that the continued growth of the economy during 1955 brought with it corresponding expansion and activity in the securities markets. The national income, the number of issues and the aggregate value of corporate securities offered, the aggregate market value of securities traded on exchanges and the number of registered securities brokers and dealers, all reached new high levels during the year. This volume of activity places upon the Securities and Exchange Commission a heavy responsibility in the performance of its varied duties in the public interest and for the protection of investors.

J. Sinclair Armstrong

During 1955, 938 registration statements were filed under the Securities Act covering offerings of about $12 billion. This represents the greatest volume of financing in the 20-year history of the Commission, and compares with 736 registration statements with respect to aggregate offerings of approximately $10 billion in 1954.

The staff of the Commission carefully reviews each registration statement in the light of the disclosure standards of the Act. When it appears that no bona fide effort has been made to comply with these standards, the Commission will not hesitate to take formal action to suspend the registration and thus stop the sale of the securities. Ten such proceedings were commenced in 1955 as compared with none in 1954 or 1953.

At a time when confidence is high and many issues come to market, the Commission's responsibility is great to require that the material facts pertaining to new securities issues are disclosed to the public. However, the Commission does not approve securities and the laws place the legal responsibility for full and fair disclosure on the persons selling the securities to the public.

Investors and their advisors also have a responsibility to carefully consider the information in the prospectus which must be furnished to them before deciding to buy. Protection of investors by disclosure is only as effective as the use made of the facts disclosed.

The aggregate volume of trading in stocks and bonds on national securities exchanges increased to approximately $40 billion in 1955 as compared with $29 billion in 1954. At the end of November, 1955, the aggregate market value of securities admitted to dealings on the 19 stock exchanges of the country stood at a record total of about $340 billion, an increase of nearly $40 billion over Dec. 31, 1954. During the year the Dow-Jones Index of stock prices on the New York Stock Exchange passed the historic 1929 peak.

As in past years, the Commission maintained a careful watch over stock exchange trading for the purpose of detecting and preventing manipulation of market prices. By many means the Commission seeks to enforce the requirements of the Securities Exchange Act of 1934, that prices on the nation's securities markets reflect the judgment of investors, free from manipulation and other unfair and deceptive practices.

In 1955, many new firms entered the securities business. The number of registered brokers and dealers increased from 4,206 at Dec. 31, 1954 to 4,443 at Dec. 22, 1955. This increase of 237 understates the number of new firms, since a considerable number of registration terminated during the year for various reasons.

The number of new firms reflects the freedom of Americans to enter the business of their choice, but, at the same time, poses for the Commission the problem of making sure that the newcomers understand and abide by the responsibilities inherent in a business involving the investment of their customers' savings.

The Commission is placing increasing stress upon its program of broker-dealer inspections and upon the enforcement of laws and regulations applicable to brokers and dealers. The number of proceedings commenced by the Commission for the denial or revocation of broker-dealer registrations in 1955 increased by more than 20% over 1954.

In concluding, Chairman Armstrong stated:

"We anticipate that 1956 will call for further efforts by the Commission to enforce the Federal securities laws in the public interest and for the protection of investors and we intend to devote our energies to that end."

Counsel Firm Admits R. B. Loucks Partner

CHICAGO, Ill. — Ralph B. Loucks, Jr., was admitted as a General Partner of Tilden Bros. & Grannis,134 South La Salle Street, effective Dec. 31.

Mr. Loucks was formerly with Brown Brothers Harriman & Co., where he served as an Account Executive for the past two years. He had previously served with the Northern Trust Company for a number of years as Senior Investment Analyst and Account Manager.

Now in their 24th year, Tilden Bros. & Grannis is one of the oldest firms on LaSalle Street exclusively engaged in investment security management. The firm specializes in the field of advisory service to individuals and trustees as well as institutions and pension-profit sharing funds.

Form Robert Patterson Co. In Tucson, Arizona

TUCSON, Ariz.—Robert Patterson & Company has been formed with offices at 23 East Alameda Street, to engage in a securities business. Officers are Robert Patterson, President; Jack Dykeman, Vice-President; Peter M. Kusian, Treasurer; and Stephen P. Moorhead, Secretary. Mr. Patterson was formerly with Atomic Development Securities Co. and was a partner in Ball, Burge & Kraus and Greene & Ladd. Mr. Dykeman was with Henry Dahlberg & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is following much the same pattern which has been in effect, even though the money stringency of the year-end appears to have passed. More near-term funds seem to be finding their way into Treasury bills and this has tended to bring down the rate on these obligations. The credit easing factors, such as the return flow of currency from circulation and the repayment of loans, are not expected to have very much of an influence on the money markets because of the action which will be taken by the monetary authorities to offset them.

The longer-term government issues continue to make a favorable showing because of the demand which is coming into the market for these bonds, mainly from public pension funds. There is also buying of these securities by private institutions that must have long-term set rate issues.

Traditional Money Ease Evident

The money markets moved into the New Year with the bill rate declining considerably from the high which was established with the passing of 1955. It is reported that funds are a bit more plentiful at the moment for investment in near-term government obligations. This is not an unusual development because a temporary let-down in demand for loanable funds has been witnessed in the past, with the ending of the seasonal needs for money.

On the other hand, there is nothing yet apparent in the action of the monetary authorities to indicate any change in the restrictive credit policy which has been in effect. Also, time will have to elapse before the economic trend, which has been very strong, will give indications as to whether or not it is going to follow the same course, or move in a different direction. What happens to the business pattern in 1956 will have a marked influence upon the future course of the money markets.

Federal Reserve to Counteract Money Ease

Seasonal influences generally favor easier money conditions in January because of the return flow of currency from circulation, which might provide member banks of the system with upwards of $1 billion of additional reserves in the early weeks of the year. Likewise, the demand for loans tends to decrease and, with the repayment of borrowings, the money markets are in a position to reflect the ease which results from these early year developments.

However, it does not seem as though these seasonal factors which would provide more reserves and funds for loans and investment will be allowed to affect the policy of restraint which is being pursued by the powers that be. As long as the Federal Reserve System is engaged in the program to slow down credit expansion, with the inflationary implications, it seems as though the Central Banks will not miss the opportunity to mop up the new reserves which will be created by the seasonal forces which will be operating in the money markets. This probably means that holdings of Treasury bills will be reduced by the Federal Reserve Banks in order to counteract the forces that bring about ease in the money markets.

If the holdings of Treasury bills should not be sizable enough to offset the easing factors in the money markets, it is believed that the Central Banks will not hesitate to cut down their positions in certificates in order to carry out the policy of credit restraint which has been and still is in effect. This most likely means that the near-term sector of the government market will continue to be under pressure until there is a major change in monetary policy.

Demand for Long Credit Exceeds Available Supply

The long-term sector of the government market is influenced much more by the large demand for mortgage money and funds for other capital needs than by the policies of the monetary authorities. As yet there are no important signs of a let-up in the demands for long-term funds and, with this demand outstripping savings by a considerable margin, it is evident that the longer-term government obligations are not going to have a one-way street as long as these conditions prevail. As a matter of opinion, certain money market specialists believe that even if there should be some relaxation in the policies of the powers that be (and none are in sight yet), the long-term capital market would not be too greatly relieved, because of the huge demand for funds for mortgages, private placements and the like.

New Krensky Branch In Washington, D. C.

WASHINGTON, D. C.—Arthur M. Krensky and Company, Inc., Chicago stock brokerage firm, has announced the opening of a Washington, D. C. office, located in the Bowen Building, 821 15th Street, N. W.

Arthur M. Krensky, Jr., President, said the branch's resident manager will be Philip Friedlander, a member of the Washington Board of Trade and an active figure in the brokerage business in Washington for the past 35 years. Other registered representatives in the Washington branch will include Kenneth Friedlander, a son of the manager; Ralph Whitmore, Abraham Sperling, and Miss Betty Wilkins. They were all formerly with the Washington brokerage firm of Franklin, Meyer and Barnett.

Beside Franklin, Meyer and Barnett, Philip Friedlander formerly has been associated with Redmond and Company; J. and W. Seligman and Company; Bache and Company; Laidlaw and Company, and Smith, Barney and Company.

The Washington office will be the fifth branch office for Krensky and Company. Others are located in El Paso, Texas; Fort Wayne, Indiana; Grand Rapids, Mich., and Princeton, Illinois.

Arthur M. Krensky & Company, which has memberships on the New York Stock Exchange, American Stock Exchange, Midwest Stock Exchange, and the Chicago Board of Trade, was formed in March, 1954.

E. V. Hegyi Pres. of Reiter-Foster Oil

Alfons Landa, Chairman of the Board, announces the election of Emil V. Hegyi as President and a Director of Reiter-Foster Oil Corporation. John H. Van Kirk, former President of the corporation, will continue to serve on the board of directors.

Emil V. Hegyi

Mr. Hegyi, who assumed his new duties as of Jan. 1, 1956, is also a Director of Omnia Investments, Inc., a corporation which has its principal office in the Republic of Cuba.

Prior to his election to head up Reiter-Foster Oil Corporation, Mr. Hegyi was Assistant to the President of U. S. Freight Co., and Vice-President of the American Institute of Management.

A native of Buffalo, N. Y., Mr. Hegyi served as a Captain in the O.S.S. in World War II, under the direction of General William J. Donovan.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Robert Patterson withdrew from limited partnership in Ball, Burge & Kraus Dec. 31.

Joseph R. Lasser and Jerome M. Schoenwald retired from partnership in John H. Kaplan & Co., Dec. 30.

David W. Smith retired from limited partnership in La Morte, Maloney & Co., Dec. 31.

David Hays Sulzberger, limited partner in Hamershlag, Borg & Co., became a general partner effective Jan. 1.

A. S. Anderson Heads Oil Analysts Association

Alan S. Anderson, senior petroleum analyst of Paine, Webber, Jackson & Curtis, was elected president of the Oil Analysts Group at their regular monthly meeting. The Oil Analysts Group is made up of 50 petroleum investment specialists employed primarily in the financial community and 10 associate members representing major oil companies.

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As We See It

economic health. Some of these deviations from what we used to think was plain, ordinary commonsense in the management of our affairs were again and again and again referred to at these sessions of the intelligentsia of the country as "built-in economic stabilizers" or in some other such terms. Interest in them appeared to be almost if not quite wholly confined to what effect they would have on business conditions during this year of our Lord, 1956. What is to be expected in the first half and the second half of this 12-month period seemed to be the most popular guessing game of the discussions—in very much the way that the outcome, say, of a world series is ordinarily a subject of guesses and bets. Almost no one much concerned himself with what these new fangled ideas and programs are likely to do for us or to us 5, 10, 15 or 20 years hence. Very similar observations could be made of almost any gathering of leading economists and observers in this day and time, and in our judgment it adds up to a very serious situation.

Crystal Balls, Again

To be sure, there were a few at these meetings, as at others from time to time, who undertook to search their crystal balls for events a decade or more hence, but their "projections," as they like to call their soothsaying, were for the most part hardly more than lines drawn into the future on the basis of the assumption that what has been taking place in certain statistical series during very recent years would continue in the same direction in the years to come. One searches such forecasts in vain for any careful judgment of the long-term effects of current programs. In fact, they all too often seem to some of us to be hardly more or less than 1955 editions of the reckless utterances by so many in the months of 1928 and early 1929.

In what degree these shortcomings of these various public meetings are to be attributed to the program makers, and in what to the speakers or even to the public whose interest at the moment certainly has to be considered, we do not undertake to say. Certainly a speaker asked to say what he thinks the oil stocks are going to do during 1956, or the economist requested to state his views about the general business situation in the early future, or the statistician who is on the program to tell the public how many automobiles are likely to roll off the assembly lines this year, could, for example, hardly be expected to give too much of his limited time to more basic considerations which he may well think at some later date will have a controlling effect upon the business situation or outlook. At the same time it seems to us that it is a matter of concern that such a massive list of speakers among the leading intellectuals in the fields of social science should scarcely have even referred to the basic soundness of all these radical changes in our patterns of behavior and policy.

There was one at least partial exception to this general rule, and we think it well worth careful consideration. Dr. Edwin G. Nourse, a member of what we might term the older school of economists, asked to take part in a general study of the business outlook for 1956, did so in a manner to leave little doubt that he is skeptical of the universally benign effect of at least some of the nostrums that all too frequently are in this day and time viewed as "built-in stabilizers" and therefore heaven-sent blessings destined to drop like gentle rain from heaven for all the years to come.

His Thinking Plain

Dr. Nourse did not overlook the fact that he had been asked to say what he thought of the 1956 outlook, and so did not go fully into what he thought of much that has been taking place in this country, but some of his thinking shines plainly through what he did have to say. Take these sentences from his carefully prepared address: "Price supports . . . were politically extended into the inflationary boom period. There they operated to hoard excess labor on the farms rather than easing labor shortage in industry, and to drain capital and scarce materials into the production of farm commodities in excess of market capacity to absorb them. . . . There is a basic maladjustment between the agricultural and the other sectors of the economy, with powerfully backed built-in unstabilizers."

He then has the courage to say that the developments in the automobile industry during 1955 "suggest the sobering reflection that this sharp upward bulge in the automobile curve is not clear evidence of a new growth potential in the automobile market, but a fortuitously accelerated tempo that entails the potentiality of subsequent deceleration." Then, after reciting recent events in the steel industry, he says that "all this . . . reflects some very strong factors of change that have come into our industrial pattern of life in recent years. And I am definitely suggesting that to me these changes seem to have injected some elements of strain and indeed of vulnerability into the structure of the economy as we cross the threshold into 1956."

And certain of his closing sentences, which we cannot refrain from quoting: "We should not count on the magic of 'built-in stabilizers' because some of the things so labelled are built-in unstabilizers. Nor should we suppose that the controlling or compensating action of monetary and fiscal policy will fully protect businessmen, labor, and consumers from their lack of prudence in the flush of prosperity or their lack of fortitude or daring in the pinch of recession. . . . Private adjustments must be our main reliance." [*Ed. Note: The full text of Dr. Nourse's paper appeared in the "Chronicle" of Dec. 29.*]

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Reflections of a Central Banker

my intention. I think it would be pretty dull. What I would like to do is to discuss a few of the things I have observed and thought about, while I have been an officer of the Federal Reserve System, and which I think might merit a larger measure of interest and attention from you.

Monetary Policy in Doldrums

Monetary policy was in the doldrums for a number of years prior to and during World War II. It had been running fast before a brisk breeze for quite a while prior to that time, and then the wind died down and its sails went slack. Big claims had been made for it as a solvent of our economic ills, and when it couldn't support these claims there was a tendency to discard it in favor of more direct and what might seem to be more powerful economic controls. I suspect that somewhat the same pattern could be traced in the interest of economists, and particularly the younger economists, in the problems of central banking. For a time, preceding and following the passage of the Federal Reserve Act in 1913, such problems attracted a lot of men. Then it began to appear that more important work could be done, or more hay could be made, in other branches of economics, while interest in central banking suffered a relative decline. Now there has been something of a renaissance in the use of monetary policy as one of the means of achieving greater economic stability, without sacrificing too much economic freedom. If we are careful not to claim too much for it, it may hold its place. And I am hoping that central banking problems will similarly recapture the interest of a new generation of economists.

Let me speak first and most particularly about the Federal Reserve System, its organization, its policies, and its techniques. You all know the general organization of the System, but you may not all be aware of the evolutionary changes which have been taking place within the general organization. The main outlines of the System are much as they were when the System was established 41 years ago; a regional system, Federal in character, with a national coordinating and supervisory body at Washington and 12 regional Federal Reserve Banks which are the operating arms of the System in their respective districts.

Within this framework, however, there has been a definite tendency for power and influence to gravitate toward the center, a corollary of developments in other areas of social, political, and economic organization, as well as a result of growing familiarity at the center with the means of accomplishing things at the periphery. Fortunately, I think, for the development of the System and the good of the country, this tendency has not gone so far as to destroy either the Federal character of the System in terms of policy formation, or its regional character in terms of policy execution.

That this is so, is largely due to the development of the Federal Open Market Committee, and its evolution as a body in which the various parts of the System are represented not by blocs, not by opposing groups of members of the Board of Governors on one side and Presidents of Federal Reserve Banks on the other, but by individuals having equal statutory authority and equal statutory responsibilities with respect to one of the most important functions of the System, namely, open market operations.

It is true that the means of credit control, other than open market operations, are scattered about the System in what seems to be an illogical manner. Discount rates are fixed by the Boards of Directors of the individual Federal Reserve Banks, but are reviewed and determined by the Board of Governors, and the setting of reserve and margin requirements is wholly a charge of the Board of Governors. But all of these measures of credit control must be integrated and used as a common kit of tools. The Federal Open Market Committee provides the forum where discussion of their coordinated use can take place without unnecessarily infringing upon the rights and duties of other parts of the System. The illogical in terms of organization charts and precisely drawn lines of authority, becomes logical in terms of the evolution of a body which appropriately and effectively represents all parts of the System.

First Informal Attempts

It may be useful to recall how this unique arm of the System developed, not from some sudden inspirational attack on the problem of bringing national unity to a regional central banking system, but by trial and error during a shakedown cruise of about 20 years duration. In the beginning, adjustments of the reserve positions of member banks were made entirely through the discount window. Early open market operations emerged in the form of an attempt by individual Federal Reserve Banks to supplement their earnings. It soon became apparent that the effect of these purchases and sales of Government securities (and bankers bills) was to put reserves into the banking system or to take them out without regard for what might be credit policy at the time. The first informal attempt to correct the situation was the adoption by the Conference of Governors (Presidents now) of Federal Reserve Banks, in 1922, of a policy of buying and selling Government obligations in an orderly and systematic manner, and the appointment of a committee of five Governors to see that this was done. This loose arrangement was tightened up somewhat by the Federal Reserve Board in 1923, and the rule was adopted, which has since become a statutory principle of open market operations, that the time, character and volume of such operations must be governed with primary regard to the accommodation of commerce and business and to their effect on the general credit situation. In 1930 an open market policy conference was created which included a representative of each of the 12 Federal Reserve Banks. Statutory recognition of and restraint upon this particular method of conducting open market operations was legislated in 1933, when the banking act of that year created a Federal Open Market Committee and prohibited open market operations of Federal Reserve Banks except in accordance with the regulations of the Federal Reserve Board. The Federal Open Market Committee in its present form came into being with the passage of the Banking Act of 1935, which also made it mandatory for Federal Reserve Banks to engage in open market operations in accordance with the directions and regulations of the Committee.

So far so good. Evolution has proceeded by a process of natural selection toward a higher form of organism, which retains some of the desirable characteristics of regional organization within a Federal system, while acquiring the powers necessary to a coordination of national policy under present day conditions. This organism has survived for 20 years and given evidence of being able to adopt itself to environmental change.

Possible Flaw

There are those, however, who see in the persistence of present regional representation on the Federal Open Market Committee, a serious flaw in our credit control machinery. They appear to believe that this has enabled the poachers to remain on the Committee along with the game wardens, in the person of the five Presidents of Federal Reserve Banks who are members of the Committee along with the seven members of the Board of Governors. The Presidents of the Federal Reserve Banks, they say, are selected by the directors of the Banks—to be sure, with the approval of the Board of Governors. The nine men who serve as directors of Federal Reserve Banks include six men elected by the member banks of their district, and three of these men are bankers. Ergo, the Presidents of Federal Reserve Banks are the representatives of the member banks and, in political terms, must be responsive to the wishes of their constituents or they won't be Presidents very long. And so, it is claimed, the group which is supposed to be regulated and controlled has at least one hand on the controls, or at least five fingers in the pie.

This line of chain reasoning has its appeal if you believe that the Presidents of Federal Reserve Banks are so beholden to commercial bankers for their jobs, and so lacking in awareness of their statutory responsibilities, that they cannot honestly serve the public interest as members of the Federal Open Market Committee. The fact is, however, that

the relation between a President of a Federal Reserve Bank and the bankers of his district is not that of an elected representative and his constituents or an employee and his employer. The present somewhat complicated arrangements for the election and appointment of directors of Federal Reserve Banks, and for the appointment of Presidents of Federal Reserve Banks by these directors, have instead a double virtue. First, they inject into the System's conduct of its everyday affairs the standards of efficiency and practical judgment that well-chosen business executives can provide from their own experience — and that includes everything from judging the fitness of a man to administer the complex operations of a Federal Reserve Bank to the maintenance of its plant and equipment. This has contributed to an operating performance which has protected Federal Reserve Banks from much of the criticism which is levelled against other institutions not prodded toward efficiency by the profit motive. Second, these electoral arrangements keep the Presidents of Federal Reserve Banks directly in touch with men who are aware of banking and credit conditions and economic developments in their districts, and who can help to interpret credit policy to the banking, business, and agricultural community, without making the Presidents subservient to whatever may be the selfish interests of any group in the community.

On the even more important level of policy formation, the problem is not comparable to that faced by a Government regulatory body fixing rates and conditions of service under monopoly or semi-monopoly conditions, nor to the problem of an administrative tribunal watching over observance of the law. The main problem of the central banking system is the appraisal of major developments affecting the whole economy and the formulation of a policy which will influence the money and credit sector of that economy so as to contribute to the stability of the economy as a whole. This is a public service which requires of its practitioners continuous contact with economic processes, and with people in the market places of the country as well as with the representatives of Government at its political center. It requires practitioners with an awareness of the problems of an economy which is neither wholly private nor wholly public in character. It requires practitioners who are insulated against narrow partisan political influence on the one hand, and against narrow selfish private influence on the other, but who are responsive both to broad Government policies and to the importance of private initiative and private enterprise in giving support to those policies. In my view there has been developed in the Federal Reserve System in general, and in the Federal Open Market Committee in particular, a unique contribution to the democratic administration of such a task. There is no conflict of interest in this administration.

I have spoken of this matter of organization at some length because I think it is vital to the preservation of a Federal Reserve System which retains regional vigor in a national setting, and because attempts to destroy the Federal Open Market Committee, as presently constituted, have been made from time to time. In fact, a bill has been resting in a Congressional committee for the past year, which would abolish the Federal Open Market Committee and transfer its functions to an enlarged Board of Governors of the Federal Reserve System. That way lies a revolution in the organization of our credit control machinery. I believe that this is a question which goes well beyond the mere mechanics of organization, and which needs and deserves your closest scrutiny as citizens, as well as economists and men of finance.

Policies

So much for organization. Now for a reference to policies. The preamble to the Federal Reserve Act says that the Federal Reserve System is to be concerned with the provision of an elastic currency, affording a means of rediscounting commercial paper, and establishing a more effective supervision of banking in the United States, and for other purposes. Well, the "other purposes" have long since stolen the show, as must be the case when the manifold objects of an economic experiment are compressed into a few words, no matter how well chosen. We are all now engaged in an attempt to prevent the occurrence of wide and deep economic fluctuations and to mitigate the hardships of the smaller cyclical fluctuations and the necessary internal adjustments of a dynamic, growing, relatively free-choice economy.

The role of a central banking system in this attempt to achieve better balance in our economy has never been spelled out specifically, and probably cannot be. We were not specifically mentioned in the Employment Act of 1946, which gave expression to the present general concept of the economic role of Government, but our share of the general responsibility derives largely from that expression of national policy. I have always felt, however, that if we are to be true to the explicit requirements of our own charter, we must emphasize the implicit requirements of this broader charter, by combining stability of the purchasing power of the dollar with the promotion of the most effective possible utilization of our resources. We must be alert to oppose both inflationary and deflationary pressures, either one of which can upset the precarious balance of a high employment, high production, high income economy.

We are pretty much all of one mind, I take it, when it comes to opposing deflationary forces which threaten a waste of human and material resources. But there is no such unanimity when inflation—usually trotted out as mild inflation—is in prospect or in being. Here is a central banking problem with respect to which we should, perhaps, have had more help from you than you have so far given us. Are we right in the belief that stability of the dollar and a growing high level economy are compatible? Or, at least, are we right in our belief that there are so many forces in the economy which now exert inflationary pressures, as to make it likely that our role will generally be to resist those pressures in the interest of sustained economic growth? The siren song of gradual modest inflation, if it be that and not the music of the spheres, appeals to many groups, political and economic. There is a tendency to relax and enjoy the sound of more money in the cash register, and the appearance of more dollars in the balance sheet and in the pay envelope. The problem has become a fundamental one in the administration of monetary policy, and your advice and counsel and, indeed, your leadership are needed.

Inflation and Deflation

There are those, of course, who think the answer has already been given, and that our powers have been reduced to exerting a gentle tug on the reins from time to time, which is really administered by the horse. With that I cannot agree; I cannot bear witness to the impotence of our central banking system. It still has considerable power, even though we recognize, as I think we must, that general monetary controls can no longer be used so drastically as to bring about a severe restriction of the money supply with restriction of income, production, and employment in its wake. In this we would only find support if we were faced with a runaway inflation due solely or primarily to monetary causes. That is an emergency we have not had to face, and certainly do not have any desire to face, even though the actual experience of such a catastrophe might subsequently make for broader public understanding of the anti-inflationary steps we must take from time to time. In developed countries which have experienced hyperinflation the central bank has only to mention the word inflation to bring a large measure of public support to a restrictive credit policy. When we mention inflation as a reason for trying to restrain a boom, which shows signs of temporarily exhausting physical capacity to increase the supply of goods and services, and in circumstances when further injections of bank credit are likely to show up largely if not entirely in increased prices, we are apt to be charged with crying wolf when there is no wolf, to be denounced as apostles of deflation. And if actual inflation does not develop, perhaps because we have done our job of helping to curb its development, the accusation against us seems to gain increased validity. You can see why I would like to have aid and comfort in resolving doubts about our ability to combine a stable dollar with a growing, expanding, high level, peace-time economy.

Another aspect of policy formation which concerns me is whether or not undue reliance is now being placed upon the judgments of men, and whether we should seek some automatic or mechanical guides to policy action. I do not think that we have been led too far astray by reading our press clippings. When it is said of the Federal Open Market Committee that "these 12 men have more financial power than any other official body in United States history," we may think it will impress our children and grandchildren, but we are also humble enough to recognize that the power we wield is a circumscribed one which cannot be wielded arbitrarily or capriciously. In the first place, it is a power exercised by a group of individuals of differing backgrounds and talents, and with differing approaches to the policy actions upon which they must finally agree. There are checks and balances such as are characteristic of our whole concept of Government, which give assurance that decisions will be reached by a deliberative process, and that power will not be wielded by an individual who might acquire the habits of a despot. In the second place, it is power exercised in the white light of full disclosure: weekly, monthly, and annually our actions are publicly reported for all to examine and to judge. Finally, it is power exercised within the limits of national objectives and public tolerance, which would not permit the Committee to indulge a sense of power or to experiment rashly with it, even if it were so inclined.

Importance of Powers

But to recognize the limitations of our powers is not to deny their importance. We must and do take them very seriously. We realize that we are trying to measure and adjust the flow of credit in a money economy, and we are steeped in the belief that whether the economy works well or poorly depends in part on our success or failure in discharging our responsibilities. And therein, I think, lies a danger. The oppressive character of such a heavy responsibility leads men to seek some automatic or mechanical device as a guide to policy action, in order to remove the risk of exercising fallible human judgment. The gold standard, as it existed during the latter part of the 19th century and the early years of the present century, largely performed this role in those countries which had central banks and which looked first and almost entirely to the state of their balance of payments and the size of their gold reserves in formulating central bank policy. Those "good old days" began to pass into history, however, when central bankers began consciously to interfere with the effects of inflows and outflows of gold upon the domestic credit situation and, through it, upon the domestic economy. They receded further into limbo as national policy became more and more oriented toward the maintenance of high levels of production and employment at home, and tried to fit together the international and the domestic situation without subordinating one to the other.

And yet there have been and no doubt are serious students of central banking who believe that it cannot function properly without a "norm" of behavior, or a mathematical equation, which will tell its human guides what to do and when to do it. In the present state of our knowledge of the functioning of the economic world, and despite the flood of available statistics which never seems to be out of spate, I do not believe that we can now devise a "norm" or an equation, which will relieve us in any substantial and consistent way of the necessity of exercising human judgment in discharging our responsibilities. What we need is not just a catalog and synthesis of symptoms, but an appraisal of a whole situation, including the complex reactions of human beings — businessmen, labor leaders, consumers, politicians. Early in my career in the Federal Reserve System, I read a statement by Allyn Young which impressed me then and impresses me now:

"In fact, we can be certain that reliance upon any simple rule or set of rules would be dangerous. Economic situations are never twice alike. They are compounded of different elements — foreign and domestic, agricultural and industrial, monetary and non-monetary, psychological and physical —and these various elements are combined in constantly shifting proportions.

"'Scientific' analysis, unaided, can never carry the inquirer to the heart of an economic situation. Judgment and wisdom—the power to take a complex set of considerations into account and come to a balanced view of them —are quite as much needed as facts and theories. The Federal Reserve System needs to operate in the light of all the information it can get, and it needs to have this information organized and analyzed in such a way as to give the maximum amount of illumination. But it also needs the guidance of that practical wisdom which is born only of experience."

If in our time, however, with increasing knowledge of how credit policy works, we can discover a "norm" of action, or a mathematical guide to policy, our task would be greatly simplified. To do that, we shall have to know more than we yet know about how monetary and credit policy actually affect the economy, as a whole, and in its various parts, and with what leads and lags. This will mean deep probing into the operations of our money and banking system as it is now constituted, and into the effects of changes of monetary and credit policy upon the whole economy working through the banking system. Until this job is further along, a good motto for central banks may continue to be the lines of the poet:

"Our stability is but balance
And wisdom lies in masterful
administration of the unforeseen."

Open-Market Observations

I am now going to turn to one of the techniques of execution of central bank policy, partly because it has importance from a general economic standpoint which transcends its purely technical trappings, and partly because it has been the subject of some public comment and discussion during the past year or two. I refer to the range of open market operations; whether such operations should be rigidly confined to short term Government securities, except under the most unusual circumstances, or whether a willingness at times to operate over the whole range of maturities of Government obligations would provide a better means of making credit policy effective. I am not going to reiterate all of my own views, which are already in the record and which are distinctly minority views within the Federal Open Market Committee. There are as yet no absolutes in this business, however. Those who advocate, and I who oppose, the present techniques of the Federal Open Market Committee are merely climbing the hill on opposite sides, trying to reach the same summit of knowledge and effectiveness.

But I do think that the question is one worthy of the attention of at least some of you who are here today, not merely as a matter of casual comment in panel discussions, or writings on other subjects, but as something which has real economic significance and deserves serious study. And I am encouraged in this opinion by the articles which have appeared in the journals during the past year. If the present technique derives from a too rigid application of supposed classical economics to problems of money and credit, we need enlightenment from you.

I had supposed that the classical economists, the men of private property and free markets, didn't think that free markets could provide everything necessary to the public good, and that if they were our contemporaries, they might have thought of the market for money and credit as something separate and apart from other markets, and as an appropriate area of intervention by Government or agencies of Government —intervention at that cross-section of the economy where the public need for some overall economic guidance toward stability could be provided with a minimum of direct intrusion into the details of production and distribution. And I had supposed that this would mean central bank action to help the market in determining the significant characteristics of the maturity structure of interest rates implied by the kind of credit policy being pursued—not to try to set decimal points on daily quotations, nor to peg a curve, but to nudge the market in the direction sought by credit policy. And finally I had supposed that the effects of increases or decreases in capital values, arising from changes in long term rates of interest, were becoming more and more important in an economy in which public as well as private debts have become so large a part of our so-called assets, and that some direct intervention in this area might at times be appropriate. Whether or not these or contrary suppositions are true, it seems to me that this matter of open market techniques involves problems of economic significance beyond its immediate technical application, and that it deserves your

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Reflections of a Central Banker

study and your published findings.

Selective Controls

There is another area of credit administration which can be brought under the loose heading of techniques. That is the problem of selective credit controls, and particularly the control of consumer instalment credit. I suppose that all of us who have a bias against detailed planning "from above" would prefer that credit policy accomplish its major aims by general quantitative controls which work impersonally but prevasively, and without interfering directly with individual transactions. But if there has grown up a form of credit extension which, no matter how prodigious its contribution to mass production and mass consumption, is also introducing a dangerous element of instability in our economy, and if it is difficult to reach this credit area by general credit measures without adversely affecting all of the less avid users of credit, is there not a case for a selective credit control? Thackeray says in "Vanity Fair":

"Everybody must have observed how well those live who are comfortably and thoroughly in debt; how they deny themselves nothing; how jolly and easy they are in their minds."

Well, I am not jolly and easy in my mind. I am disturbed by the present situation in consumer instalment credit, just as I was concerned, under different conditions and for different reasons, about stock market credit until the Board of Governors was given power to establish, and to vary, margin requirements. I am disturbed not by the total amount of consumer credit, but by the fact or the indication that successive relaxation of terms has been largely responsible for keeping the ball in the air. This is a process which cannot go on indefinitely, and when it ceases there will come a time when repayment of old debt will catch up with new extensions of credit. The special stimulus of a rapidly increasing net supply of consumer credit, which has contributed so much to the record production and distribution of consumer durable goods during the past year will then be gone, at least temporarily. Will it then become clear that we drove our productive capacity to unsustainable limits—for the present—by borrowing consumer demand from the future?

This is a subject on which many voices have expressed many views, but usually they have not been views which seemed objective enough to help resolve the question in the best interests of society as a whole. I know that there are those who believe that selective credit controls are a dangerous step on the road to general over-all planning, and I have no desire to become a fellow traveler on that road. But I do believe that there is a temptation to abuse consumer credit in boom times, that it can thus become a serious source of instability in our economy, and that we would not jeopardize our general freedom from direct controls by giving the Federal Reserve System permanent authority to regulate consumer credit. I freely admit, however, that this view would be better held if it were based more firmly on objective study and research into the place of consumer credit in our economy and less on observation and opinion. That is the sort of basis for consideration and action which you could provide.

The same or something similar might be said of mortgage financing, but I shall not try to go into that. Economics and social objectives become inter-mingled so fiercely when housing is discussed as to make calmness and objectivity a handicap, if not a badge of moral delinqency.

The basic question involved in both cases is whether an attempt should be made through regulation of these specific types of credit to exert a stabilizing influence on areas of the economy which, in the past, appear to have been major sources of instability of employment and production, or whether we should be content with efforts to regulate the overall availability and cost of credit, hoping that fluctuations in the major areas of the economy will balance out. Our experience, thus far, suggests to me that general credit controls can exert an effective influence on these particular types of credit only with a considerable lag, and that we cannot rely upon countervailing forces in the economy to maintain overall stability.

Perhaps you can see where I have been heading in these somewhat random remarks, which have touched on a few aspects of central banking organization, policies, and techniques, while not mentioning others of equal or, perhaps, even greater importance. In general my purpose has been to frame a plea for help. A plea that theoretical economics come more steadily and effectively to the aid of practical economics in such fields as central banking.

I recognize that theoretical economics is the basis of practical economics. And I recognize that theoretical economists, in our time, seem mostly to have preferred to work on general principles, or on building models of economic performance, rather than on economic policies and their effects. I have not the competence to challenge the value of their work, but I question whether it is enough. I question whether economists individually and as a group can fulfill their obligations as citizens, as well as students and scholars, if they do not try to bring these interests together. I would say we need a revival of political economy, and I would invite you to look on central banking as a good place to start. The economists of an earlier day did not hesitate to jump into the thick of battle over current issues, and it did not seem to lower their academic standing then nor should it now. They were pamphleteers, they organized and participated in public meetings and discussion groups, they brought their influence to bear in any way they could on public officials and private citizens. They were pungent and provocative in debate. Macaulay said of James Mill and his followers, on one occasion, "These smatterers whose attainments just suffice to elevate them from the insignificance of dunces to the dignity of bores." Perhaps that sort of thing is a little too violent for our present mood and condition. But it might be better than withdrawing completely into a realm of esoteric jargon, or indulging in an excess of politeness in dealing with your peers and your public, so that issues are seldom drawn clearly enough to attract public attention and promote public understanding. By your studies and your research and your application to the problems of economic theory, you have earned the right to be heard, and to give some sense of continuing direction to official action and to public opinion. I would like to see that right more vigorously exercised.

I feel that it could be exercised more vigorously and to advantage in the field of central banking. We have excellent research staffs in the Federal Reserve System; able economists and statisticians and devoted students of money and banking problems. But their work needs more cross fertilization and critical analysis by thoughtful and disciplined minds outside the System, who can apply their talents to this special field without the bias of an organizational viewpoint. Not enough work has been done, I would say, on the monetary problems of a mixed Government-private economy, on the functioning and form of a fractional reserve banking system in such an economy, on the growing importance of other financial institutions, which criss-cross both the fields of commercial banking and investment banking, and on the performance and characteristics of our money and capital markets. These are subjects which are becoming critical in the development of central banking.

You have tended, I venture to say, to occupy yourselves too much with the refinement of old ideas which are no longer wholly relevant, with the cataloguing of new economic processes, with the application of mathematical equations to situations too dependent on human behavior to be amenable to such treatment, or with building utopian models of the dream world of the future, while neglecting the hard but rewarding task of studying the present in a way which would contribute effectively to public policy and private well-being. If you will not use it against me, I would say that you have left the latter task to the improvised judgments of practitioners who have lacked the time or the equipment needed to work out a coherent and consistent basis for the actions which they must take.

It is said that there has been a renaissance of monetary and credit policy in recent years. In fact, some extravagant claims are again beginning to appear concerning the power and influence of monetary measures in curing or ameliorating our economic ills. Governments may be tempted to commit or condone economic errors, in the hope that monetary policy can redress the balance, and in the hope that the central banking system will stand as a buffer between the Government and an electorate which chafes at restraint. We shall have to guard against asking too much of monetary policy. But it is a fact that monetary measures have re-established themselves, and rightly so, as one of the principal means used by governments to try to keep national economies in order without the stifling restrictions of more direct physical controls.

What I would now like to see is a renaissance in the study of money and banking in general and of central banking in particular. I would like to see a fresh and thorough examination of our existing banking and credit machinery and our money and capital markets. I would hope that out of such study and examination would come new ideas and new proposals which would give shape and direction to future public policies and private actions. It would be a task worthy of the best talent you can bring to bear on it.

Vanden Broeck Retires From Firm in April

Alfred L. Vanden Broeck has announced his withdrawal from the firm of Oppenheimer, Vanden Broeck & Co., New York City, effective April 30. Mr. Vanden Broeck had been associated with the firm since its organization in 1947.

Mr. Vanden Broeck is now engaged in making arrangements for the continuance of active business upon the effective date of his withdrawal from his present firm.

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The Changing Design for Industry And Living Through Electronics

vide multiple-channel communications over long distances for teletype, facsimile, voice, telemetering, traffic control and supervisory functions.

Radio Corporation of America alone has installed more than 526,000 channel miles of private microwave systems for various users in the United States. Such systems operate with greater reliability and at lower cost than has yet been achieved by any other means. Microwave radio signals beamed from station to station via relay towers, eliminate the need for wire lines, carry a greater variety of traffic than present wire facilities, and insure a higher degree of accuracy and reliability.

Electron Microscopy

Electronics has already established itself as a tool as well as a product of research. The electron microscopy, possessing amazing powers of magnification, has opened a new world for exploration for research workers in medicine, chemistry, metallurgy and a host of other sciences.

Photographic magnifications up to 300,000 diameters have been achieved in such diverse areas as observing the effect of vaccine on influenza particles, analyzing the virus of smallpox and studying the structure of cancer tissue. In the industrial field, the electron microscope has found a variety of uses, ranging from the study of paper fibres and the structure of synthetic rubber latex to the behavior of metals of varying conditions of temperature and stress.

Military Electronics

The electronic science has made some of its greatest technical contributions in the military field. While security restrictions surround many of these achievements, we know that the development of radar and various electronic devices has progressed far ahead of anything dreamed of only a few years ago. At the same time, electronic control, tracking and computing devices of startling complexity, have been developed for guided missile programs and for air borne detection and fire control functions aboard military aircraft.

As the development of military electronics continues, we may confidently expect that many of the developments now intended exclusively for military use will, like radar, ultimately find significant application in our commercial and industrial activities.

For instance, most of the major American airlines now regard radar as an essential safety factor. Weather radar equipment developed by RCA enables pilots to "see" as much as 150 miles ahead in spotting storms and selecting undisturbed navigation paths. Such equipment also is effective in warning against topographical obstacles such as that which recently doomed an air liner in Wyoming with a loss of 66 lives.

Transistors and New Materials

Taking all of this into consideration, it may sound somewhat rash to say that we have barely scratched the surface and that the potentialities of electronics hold undreamed of wonders that may not be tapped in our lifetime. This, however, is the view of most leaders in our industry.

Many new materials are coming into use, and these promise to dominate the future electronics scene. We are, in fact, in the midst of a revolution in materials that is felt throughout our industry. The usefulness of these materials has been discovered through research in what we call solid-state electronics.

The transistor, as an example, is exerting increasing influence on electronic products and services. This tiny device—made of germanium or silicon and about the size of a kernel of corn—performs many of the functions of electron tubes. Yet, the transistor takes a fraction of the power required by tubes. This means that many transistorized instruments can operate for long periods on very small batteries.

I believe all of you now have an RCA transistor in your possession similar to the one now being exhibited.

You will note quite a difference in the size of the transistor and a conventional electron tube. However, in performance, the small transistor surpasses many types of tubes.

I have here a few items which I would like to demonstrate.

Here is the first all-transistor portable radio ever built. It is a developmental model produced by RCA laboratories nearly three years ago. It's power consumption is so small that it now is operating on only its second set of batteries, despite hundreds of hours of demonstrations in the United States and abroad.

A second developmental model of an all-transistor portable is this small radio.

Use of the transistor has meant an important forward step in miniaturization—particularly in many of the products and services that we are producing for the Armed Forces. An important example is the transistorized walkie-talkie which I have here, although weighing only a fraction of the original 50-pound walkie-talkie, it has amazing performance over distances up to half a mile.

While still on the subject of the transistor, I would like to point out that this tiny device may be developed as the heart of totally new electronic equipment, especially where miniaturization is an important factor.

Also, in large installations that now require thousands of vacuum tubes, such as electronic computers, the transistor will mean enormous savings in space, power supply, heat output and tube replacement.

Besides the transistor, many other uses are evolving from electronically active solids. New ferroelectric materials offer the advantage of simplicity in storage and switching functions. New ferromagnetic materials are enabling scientists to achieve high performance in miniature components essential in transistorized circuits. Electroluminescent materials herald the day of "electronic light" and mural television. These and other materials discoveries lead to two major results: increased markets for present types of equipment because of decreased size and complexity, and new markets for newly conceived apparatus never previously feasible.

"Electronic Photography"

An RCA system of recording black-and-white and color television programs on magnetic tape has reached a stage of development where it now is being field-tested in New York by the National Broadcasting Company.

This system has been described by Brig. General David Sarnoff, Chairman of the Board of RCA, as a major step into an era of "electronic photography."

Although under development primarily for use in television, the new tape recording technique has

far wider applications outside of the field of television entertainment. It serves, in effect, as a totally new means of photography, performed instantaneously by electronics. Foreseen for it are useful services not only in television, but in the motion picture and theatre industry, in home entertainment and education, and in industry in general. An unlimited number of copies of tape recordings can be made quickly and economically. The recorded tapes can be preserved indefinitely or wiped off "electronically" and used again and again.

Electronic Air Conditioning and Household Products

As I indicated at the beginning, those of us in the electronics industry believe that there are many products and services in the offing that may eventually overshadow many of the electronic wonders of today. For example, RCA has made encouraging progress on an electronic air conditioner, designed without any moving parts, motors or compressors—in fact, a noiseless machine. As a prelude, our scientists already have demonstrated a small refrigerator which achieves practical storage and freezing temperatures entirely by electronic means.

While the electronic cooling system still is in the research and developmental stage, we are hopeful that this revolutionary product can be brought to the market within the next few years. It stands to reason that if this can be achieved, it will be possible also to produce an electronic washing machine and virtually every other kind of household appliance.

Electronic Music Synthesizer

Another interesting development going forward at RCA Laboratories is what we call the RCA Electronic Synthesizer. This is a system capable of producing entirely by electronic means any musical tone or combination of tones that may be imagined by the human mind. The system provides the musician, the composer and the engineer with a new musical tool that has no physical limitations. The Synthesizer, which has resulted from many years of RCA acoustical research, can produce electronically an infinity of musical forms employing sounds of voices and instruments, or tones that may never before have been heard, either in solo performance or blended in any desired orchestral arrangement.

Development of an instrument to handle with fidelity all of the characteristics of tone represented an enormous challenge to our research men. But even in its present stage, I believe you will agree that the RCA Synthesizer achieves extraordinary results. At this point I would like to demonstrate by means of recordings some of the results so far accomplished. The music you will hear employs no instrumentalists and no musical instruments whatsoever have been used. All of the tones have been achieved electronically.

Among the musical selections from which the excepts have been synthesized and the musical instruments simulated are a number of works that you may recognize — "The Well Tempered Clavier": Fugue No. 2, in the style of an imaginary harpsichord; "Hungarian Dance No. 1," an engineer's interpretation of instrumental sounds; "Oh, Holy Night," in the style of an organ; "Home, Sweet Home"; an engineer's conception of the music; and "Medley of Stephen Foster Music," in the style of a "Hillbilly" band.

Summary

It is important for all of us to understand that what we have just heard represents a scientific and engineering achievement — rather than a new form of entertainment. The remarkable fact is that, in its entirety, this is the work of electronics.

The Music Synthesizer shows how important it has become for the electronics engineer and the musician to understand the achievements and objectives of one another. I believe you will agree that this may also apply to all workers in the physical sciences in their relationships with those engaged in the humane sciences. For the good of America, the arts and sciences are challenged to work continuously closer together.

In summarizing, I would like to remind you that the attempt here has been to highlight the progress and potentials of electronics. Brought to the fore have been some of the more outstanding examples of its effect on economics, culture and society. I have, in fact, endeavored to give you an idea of The Changing Design for Industry and Living — Through Electronics.

Outboard, Marine Offer Underwritten

Outboard, Marine & Manufacturing Co., the leading manufacturer of outboard motors, is offering to holders of its common stock rights to subscribe at $37½ per share for 213,845 shares of additional common stock at the rate of one share for each ten shares held of record on Jan. 4, 1956. The subscription offer will expire at 3:30 p.m. (EST) on Jan. 23, 1956. The offering is being underwritten by a group of investment firms headed by Morgan Stanley & Co.

Concurrently the underwriters are offering for public sale 100,000 shares of the company's common stock at $42½ per share. The proceeds will go to the selling stockholders, Mrs. Beatrice B. Briggs, wife of the Chairman of the Board, and Ralph Evinrude, Vice-Chairman of the Board and Chairman of the Executive Committee. After this sale Mrs. Briggs and Mr. Evinrude will continue to own a substantial amount of the stock.

The company, producer of Johnson and Evinrude outboard motors and Lawn-Boy power lawn mowers, will use the proceeds of its offering to common stockholders to provide additional working capital required by an increasing volume of business and to cover a part of the cost of its expansion program which calls for an estimated outlay of between $12,000,000 and $13,000,000 over the next five years. Approximately one-half of this amount is to be spent during the fiscal year ending Sept. 30, 1956.

The company expects to raise an additional $4,000,000 of new money during 1956 through private sale of notes and will also refund $6,000,000 of notes now outstanding.

During the past five years the company's sales have increased from $27,033,000 to $85,856,000, the latter figure covering the fiscal year ended Sept. 30, 1955. During the same period net earnings rose from $2,976,000 to $7,864,000, the latter being equal to $3.68 a share on the common stock. The company has paid quarterly dividends of 40 cents per share in August and November of this year, having paid 25 cents per share in the first two quarters of 1955.

Giving effect to the sale of the 213,845 additional shares and the proposed debt financing, the company will have outstanding 2,352,503 shares of common stock of 83⅓ cents par value and $10,700,000 of funded debt.

W. B. Rudd Opens

SACRAMENTO, Calif.—William B. Rudd is engaging in a securities business from offices at 2608 El Paseo Lane.

Lee Higginson Corp. Member of N.Y.S.E.

Lee Higginson Corporation, 40 Wall Street, New York City, 108-year old Wall Street investment banking firm, has become a member of the New York Stock Exchange. This was disclosed with the company's announcement of the election of three new vice-presidents, one of whom is a member of the Exchange. He is James W. Brooks, who was also elected a director of the investment house. The other new vice-presidents are A. Sumner Gambee and William F. Lecraw.

William F. Lecraw

James W. Brooks

A. Sumner Gambee

Mr. Brooks, a member of the Stock Exchange since 1930, has acted as floor partner for a number of Exchange firms, including J. H. Brooks & Co., D. T. Moore & Company and Seeley & Lindley. Mr. Gambee is a director of the Hackensack Water Co. and was formerly a vice-president of National Theatres Corporation and Empire Trust Company. He resigned from Empire Trust in October of last year.

Mr. Lecraw joined Lee Higginson in 1947 and is associated with the company's new business and buying department.

Lee Higginson is the largest and best known investment firm operating as a corporation to join the Stock Exchange since that institution amended its constitution in 1953, making incorporated firms eligible for membership. Previously—from the time of its organization in 1792 until the constitution was changed—the Exchange restricted memberships to individuals and partnerships.

With Hazelhurst Co.

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—Earl T. Frazey is now affiliated with Hazelhurst, Flannigan & Co., Mining Exchange Building. Mr. Frazey was previously with Waddell & Reed, Inc. and prior thereto with the Colorado Savings Bank.

Intermountain Secs. Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Dean O. Sanders is now with Intermountain Securities, Inc., 1714 South Broadway. He was formerly with Denver Securities, Inc.

Smith With Freeman Co.

(Special to The Financial Chronicle)

FT. MYERS, Fla. — C. Oren Smith has become connected with H. W. Freeman & Co., 2425 First Street. Mr. Smith was formerly with the local office of A. M. Kidder & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Chemical Corn Exchange Bank

When Chemical Corn Exchange Bank announces a proposal to be put before its shareholders asking for authorization to increase its capital through the distribution of rights to subscribe to new stock, that, indeed, is news. The Directors' announcement went on to say that traditionally the bank had financed its capital growth out of retained earnings and that this was to be a departure from that record.

There are three standard methods of increasing capital funds in the banking field: first, the issue of stock dividends by way of capitalizing unallocated reserves; secondly, by means of rights to contribute new funds to the bank's capital set-up; thirdly, by mergers. Chemical Corn Exchange has customarily adhered to the second procedure, under which a portion of retained earnings were held in reserves until an appropriate time to issue a stock dividend.

Capital increases by a bank by means of rights are usually coupled in the public mind with a need of the bank to improve its deposit ratio, that is, the ratio of deposits to capital funds; and this term as used here excludes reserves of whatever description. However, as will be seen from the following figures, none of the large New York City banks is far enough removed from the traditional 10-to-1 ratio of deposits to capital funds to indicate a capital increase by rights as being necessitous.

	Ratio of Deps. to Cap. Funds
Bankers Trust	9.6 to 1
Bank of New York	11.4 to 1
Chase Manhattan	12.1 to 1
Chemical Corn Exchange	13.5 to 1
Empire Trust	15.0 to 1
First National City	10.4 to 1
Guaranty Trust	6.2 to 1
Hanover Bank	9.9 to 1
Irving Trust	11.0 to 1
Manufacturers Trust	13.5 to 1
J. P. Morgan & Co.	9.6 to 1
New York Trust	8.8 to 1
United States Trust	4.8 to 1

On average, these ratios are more conservative than, for example, a random group of major banks in the interior and far west. As the New York banks have been operating more-or-less on these deposit ratios for some time, it is evident that Chemical Corn Exchange forsees a sufficiently marked increase in its volume of business over the near term to warrant an increase in its capital funds for as general corporate business grows larger it has need for greater loan accommodation and it is the obligation of the banking system to make available the facilities to service this growth. A bank's lending limitation to a single borrower is measured by its capital funds; and the greater the growth in the size of our major corporations the greater will be the need for credit. This has, of course, been one of the factors behind the numerous bank mergers in the past few years.

While for several quarters there has been a sizable percentage increase in loan volume at the New York banks, at the expense of investments, mainly government bond holdings, this has not been of great enough proportion to increase unduly the "risk asset" ratio, that is, the ratio of assets other than cash and governments to capital funds. In any case this ratio is not of great importance today, as loans still are not excessive in relation either to total assets or to capital funds.

It is probable that other major banks will in 1956 go to their stockholders for additional capital with the possibility here and there of an accompanying stock dividend. For the greater part, the New York City bank stocks are selling moderately above their book values, and this will make it easier to sell new capital than at times in the past when book values were below market prices.

FHLB Notes on Market

Public offering of $125,000,000 Federal Home Loan Banks 3.20% series I—1956 non-callable consolidated notes dated Jan. 16, 1956 and due Aug. 15, 1956 is being made today (Jan. 5) through Everett Smith, fiscal agent of the banks, and a nation-wide selling group of securities dealers. The notes are priced at 100%. The purpose of the offering is to refund a similar amount of maturing notes. Upon completion of the offering and the retirement of the maturing notes, the Federal Home Loan Banks will have a total of $975,000,000 consolidated note obligations outstanding.

The notes are the joint and several obligations of the Federal Home Loan Banks and are legal for investment by savings banks, insurance companies, trustees, and other fiduciaries under the laws of many states.

Joins F I F Management

(Special to The Financial Chronicle)

DENVER, Colo. — Edward M. Mahoney is now with FIF Management Corporation, 444 Sherman Street.

With Founders Mutual

(Special to The Financial Chronicle)

DENVER, Colo.—John E. West has become connected with Founders Mutual Depositor Corp., First National Bank Building.

With Harvell Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo.—John W. Deal has joined the staff of Harvell Investment Company, Travel Center Building. Mr. Deal was previously with J. W. Hicks & Co., Inc., Gray B. Gray & Co. and Merrill Lynch, Pierce, Fenner & Beane.

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Analyzes 1953 Recession and Inflation Virus

wage settlements, and the acceleration of home-building and car-buying with borrowed money. Demands upon many markets exceeded productive capacities, leading to overtime, labor shortage, industrial price advances, enlarged plant and equipment programs, and increased needs for savings at a time when people were more disposed to borrow and spend than to save.

"We needed a shock. We got one, from a totally unexpected quarter, in the distressing news that the President, on Sept. 24, had suffered an illness that might result in his unavailability for renomination and reelection. Business optimism was founded in part on the assumption that we would continue to enjoy his wise leadership and policies for an additional four years. In general people went ahead. But they became more inclined to stop and reassess the soundness of the economic position.

"The prosperity we have enjoyed did not come by accident, although we have had fortuitous factors in our favor. We have adjusted monetary and fiscal policies to what seemed to be, on examination, the needs of the time. But we can continue to prosper only by the same conscientious attention to things that are wrong or going wrong, giving heed to unhealthy symptoms and the rules we must follow to protect solvency and stability.

The Inflation Virus

"We may have a little too much inflation virus in our blood. We have been too tolerant of the build-up of debt. It is true that rising incomes increase debt-carrying capacity. It is true that our accumulating national savings need to be put to productive use and that this entails a willingness of home-builders, industry, and government bodies to borrow. But when our collective desires to borrow exceed our desires to save, we are economically unstabilized. We find that, to finance our ambitions, unwholesome amounts of Federal Reserve credit have to be drawn into use and that business, to satisfy our desires, is bidding more for labor and materials and raising prices. After all, as the metal markets have been saying, there are limits to what we can undertake at one time.

"Some people feel that chronic mild inflation is the way to perpetual prosperity as it is to easing debt burdens. The truth is that inflation is a tax on the savings of the poor, an impediment to orderly forward planning, and the harbinger of crisis and depression. Nations experiencing chronic price inflation like England and Sweden find inflation a political liability and struggle by one means or another to stop it. No one in this country has ever won a Presidential election on a platform advocating inflation.

"In a speech Dec. 29 before the joint annual meetings of the American Economic and Finance Associations, Allan Sproul, President of the Federal Reserve Bank of New York, referred to 'the siren song of gradual modest inflation' and asked the assembled economists for aid 'in resolving doubts about our ability to combine a stable dollar with a growing, expanding high level peace-time economy'."

The Unbalanced Budget

Continuing, the "Letter" says:

"The chronically unbalanced Federal budget gives specific cause for concern. Indulgence of excessive government spending and public deficits has never been consistent with stable growth. With all due respect to the necessities of a strong military establishment, to the increase in the functions performed by governments, and to the needs for more schools and better roads, it does seem that Federal spending policy is still oriented toward the idea that the economy is 'mature' and would be 'stagnant' if the government did not apply heavy taxes to insure that money would get spent. The actual experience is that the inventors and salesmen can turn up new things for people to buy faster than the bread-winner—after tax—can pay for them. So he stretches his credit to the limit to compete with governmental demands upon the markets and to replenish income the government abstracts from his purse.

"Twenty years ago people — at least those whose taxes had not yet been increased—excused extravagance in government because it put money in circulation. We had a proliferation of Federal Government activities and agencies. We still have most of them plus a vast complication of our defense needs—the number one Federal Government responsibility. We also have a problem of Federal budget control that produces many proposals for amelioration, each open to serious objections. The real question—and the President's illness gave it point — is whether the Federal Government establishment has not grown just too big for correlated human control. The obvious solution is for the Federal Government to concentrate its energies on the things that must be done on the Federal level and leave the rest to the responsibility of the individual, of private enterprise, of state and local government bodies. After all, as E. B. White once wrote, the American theory is that the individual is a very competent little guy.

"There are manifold reasons for laying stress on controlling Federal Government outlays at the present time. Prosperity generates heavier revenues, and the natural tendency of Congress is to take a more relaxed attitude toward appropriations. Helping the States enlarge road and school programs has been suggested. This might be sensible if labor and steel and cement supplies—and surplus savings—were going to waste. As it is, more Federal Government borrowing and spending will simply augment upward pressures on prices and levy an inflation tax on the savings of the people."

The Tax Question

The "Letter" adds that "before enlarging outlays, the Federal Government should be paying down some public debt. If we cannot pay down public debt in the most prosperous era of our history," it asks, "when are we going to?" The "Letter" would like to see an honest and fair tax system to sustain economic growth. It points out that should there be money to spare, the most imperative need is to give attention to the corroding influences of excessive income tax rates.

Joins Lamson Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert E. Wick is now with Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Wick was previously with John A. Dawson & Co.

Webber Simpson Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert E. Garver has been added to the staff of Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

Reynolds Group Offers Magnavox Pfd. Shares

Reynolds & Co. Inc. and associates are offering 120,000 shares of The Magnavox Company 4.75% cumulative convertible preferred stock, par $50, to the public today (Jan. 5) at a price of $51 per share.

The new preferred stock is convertible into common stock of the company at an initial conversion rate of 1¼ shares of common stock for each share of preferred. It is redeemable, in whole or in part, at the option of the company at a price, plus accrued interest, of $52.25 per share, if redeemed on or before Dec. 31, 1957 the price decreasing by 25 cents during each two year period thereafter until it ultimately reaches the par value of $50, if redeemed after Dec. 31, 1973. The company is required to deposit funds into a sinking fund sufficient to redeem at par plus accrued interest, 1,800 shares of the preferred in each year 1958 through 1961 and 2,400 shares a year thereafter.

The company will add the proceeds of the sale of the stock to general funds to augment working capital and to provide for expansion of operations necessitating larger inventories and additional capital. A portion may be used for the purchase of the assets of another company.

The company has been negotiating for the purchase of all the assets and business of a television and radio company, and if such purchase were to be consummated it will be at the fair value of the assets and properties of the vendor as determined by negotiation and agreement, and approval by the company's board of directors. Such contemplated transaction would involve an expenditure of approximately $3,300,000 and the assumption of liabilities in the neighborhood of $2,000,000. The terms and conditions of the proposed purchase are subject to further negotiations and no agreements or documents have been signed or executed.

At the present time, the larger part of its business consists of the manufacture and sale of television receivers, television-radio-phonograph combinations and hi-fi phonographs. A smaller part of its business is in the military and commercial field.

For the four months ended Oct. 31, 1955, the company reported net sales of $20,301,962 and net income of $906,833, equal to $1.14 per share of common stock. This compares with sales of $16,684,320 and net income of $550,751, or 69 cents a share, for the same period of 1954. For the fiscal year ended June 30, 1955, sales amounted to $55,071,765 and net income to $2,426,087, or $3.05 per common share.

Giving effect to the sale of the new stock, capitalization of the company consists of $8,000,000 in 3¾% V-type loan notes, $3,000,000 in 4% instalment notes, 120,000 shares of 4.75% cumulative convertible preferred stock, par $50, and 796,614 shares of common stock, par $1.

Associated in the underwriting are: Glore, Forgan & Co.; Hemphill, Noyes & Co.; Lee Higginson Corp.; Merrill Lynch Pierce, Fenner & Beane; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; Alex. Brown & Sons; Cruttenden & Co.; Francis I. du Pont & Co.; Auchincloss, Parker & Redpath, and Kalman & Co., Inc.

Schirmer, Atherton Branch

MANCHESTER, N. H.—Schirmer, Atherton & Co., members of the New York and Boston Stock Exchanges, has opened a branch office at 1015 Elm Street under the management of Norton R. Phelps.

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The State of Trade and Industry

car-truck tempo is 16.6% short of 1954's final week count of 142,384 units, or 124,250 cars and 18,134 trucks.

"Ward's" production estimates for the entire year 1955 are as follows: United States 7,940,862 cars, 1,247,799 trucks, or a total of 9,188,661 units; Canada—377,358 cars, 74,953 trucks, or 452,311 units. The grand total for both countries being 8,318,220 cars, 1,322,752 trucks, or 9,640,972 units.

Business failures in November rose 3% to 945 and were the most numerous in six months. They exceeded last year's toll by 1% and were the heaviest for any November since 1940, when 1,025 failures occurred.

The liabilities involved in the November failures climbed sharply to $42,783,000, a rise of 23%. This was the heaviest volume since March 1954 and exceeded considerably the comparable year-ago total. Most of the rise occurred in the large failures, involving losses of $100,000 or more.

Companies failed at an annual rate of 46 for each 10,000 enterprises listed in the Dun & Bradstreet *Reference Book*, according to Dun's Failure Index. The index puts failures on an annual basis and is adjusted for seasonal variations. This failure rate, rising for three consecutive months, was the most severe since November 1954, but it was well below the 1940 rate of 60.

Manufacturing and retailing failures were the highest in the last six and seven months, respectively. The manufacturing rise came largely from the textiles and apparel industry and from the lumber, furniture and machinery lines. In retailing, the increase centered in apparel, automotive and drugs. The toll in the automotive group was the heaviest in the last 20 months.

Geographically, failures were above the year-ago level in most regions. The sharpest rise, 50%, occurred in the West North Central States, principally Minnesota, Missouri and Kansas. Only the East South Central and New England states had fewer failures than a year ago.

Building permit values in November fell moderately below the October volume, but held about even with November a year ago, Dun & Bradstreet, Inc., states. The aggregate for 217 cities including New York last month was $428,603,754, a drop of 12.1% from $487,392,751 in October, and the smallest monthly total since last January. It was, however, a gain of 0.2% as compared with $427,879,197 for the same month last year.

In contrast with most sections of the country, New York City building valuations rose sharply and totalled $55,764,815 in November. This was up 26.5% over October's $44,087,975, and 23.4% more than the $45,195,814 for November 1954.

Steel Output Set Higher This Week at 96.4% of Capacity

In the steel industry, metalworking production and sales will move into new high ground in 1956. Gross sales by the metalworking industries will soar to $138,000,000,000, an 8% gain over record 1955 sales of $128,000,000,000.

That prediction is based on an industry-wide survey by "Steel," the national metalworking weekly, covering managers of 7,600 metalworking plants.

Seven of 10 executives, it added, expect 1956 sales will be greater than those of 1955. Only 7% expect their companies to have lower sales. The remainder see no change from 1955.

Selling prices of metalworking products will rise 5%, largely as the result of labor and material cost increases, "Steel" stated. Three of four expect to be forced to increase prices. The remainder hope to hold the line in the face of higher costs by increasing their efficiency in manufacturing and distribution.

Metalworking employment will increase 6%, although many plant managers expect to have difficulty in obtaining a sufficient supply of skilled workers.

"Steel" reported that the biggest problems foreseen by metalworking executives are in scarcities of materials, particularly nickel and certain steel products.

Aside from the setting of new production, sales and employment records, the biggest metalworking news in 1956 will be the expansion of productive capacity, the metalworking weekly, noted. The industry expects to add 6% to its manufacturing capacity during the year, which will be one of the most active periods of all time.

Largest expansion plans are those for providing basic materials, such as steel and aluminum. The expansion programs will not be completed in 1956, but will come into operation over the next several years, it pointed out.

"Steel's" price composite on steelmaking grades of scrap rose for the ninth consecutive week, climbing to $51.83 a gross ton—a hike of $1.16 over the previous week's figure. Its price composite on finished steel is unchanged at $127.68 a net ton from the revised figure for the preceding week.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 96.4% of capacity for the week beginning Jan. 2, 1956, equivalent to 2,373,000 tons of ingot and steel for castings as compared with 95.7% of capacity and 2,309,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 100.1% and production 2,416,000 tons. A year ago the actual weekly production was placed at 1,960,000 tons or 81.2%. The operating rate is not comparable because capacity was lower than capacity in

1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Recedes From All-Time High Record In Christmas Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 31, 1955, was estimated at 10,751,000,000 kwh., a decline from the all-time high record of 11,614,000,000 kwh. established in the week ended Dec. 24, 1955, according to the Edison Electric Institute.

This week's output decreased 863,000,000 kwh. below that of the previous week; it increased 1,326,000,000 kwh. or 14.1% above the comparable 1954 week and 2,553,000,000 kwh. over the like week in 1953.

Car Loadings in Latest Week Dropped 5.9% Under Preceding Period

Loadings of revenue freight for the week ended Dec. 24, 1955, decreased 42,233 cars or 5.9% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Dec. 24, 1955, totaled 672,355 cars, an increase of 111,160 cars, or 19.8% above the corresponding 1954 week which included the Christmas Holiday, and an increase of 191,377 cars, or 39.8% above the corresponding week in 1953, which also included the Christmas Holiday.

U. S. Automotive Output Declined 30.1% Last Week Under the Curtailed Christmas Week Pace

Output in the automotive industry for the latest week ended Dec. 30, 1955, according to "Ward's Automotive reports," declined 30.1% below the Christmas Week pace.

Last week the industry assembled an estimated 104,982 cars, compared with 150,881 (revised) in the previous week. The past week's production total of cars and trucks amounted to 118,797 units, or a decrease of 51,187 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 45,899 cars, while truck output declined by 5,288 vehicles during the week. In the corresponding week last year 124,250 cars and 18,134 trucks were assembled.

Last week the agency reported there were 13,815 trucks made in the United States. This compared with 19,103 in the previous week and 18,134 a year ago.

Canadian output last week was placed at 2,382 cars and 481 trucks. In the previous week Dominion plants built 6,100 cars and 1,166 trucks, and for the comparable 1954 week, 5,264 cars and 788 trucks.

Business Failures Dip in Holiday-Shortened Week

Commercial and industrial failures dipped to 174 in the holiday-shortened week ended Dec. 29 from 181 in the preceding week, Dun & Bradstreet, Inc., reports. However, the toll exceeded the 152 and 150 which occurred in the comparable weeks of 1954 and 1953. Despite this uptrend from the two previous years, failures remained 8% below the prewar level of 190 in the similar week of 1939.

Failures involving liabilities of $5,000 or more declined to 143 from 150 but continued above the 127 of last year. No change appeared among small failures with liabilities under $5,000, which held steady at 31 and compared with 25 a year ago. Nineteen of the failing concerns had liabilities in excess of $100,000 as against 18 in the previous week.

Wholesaling, construction and commercial services accounted for the dip during the week, with the toll among wholesalers down to 15 from 25, among construction contractors to 27 from 34 and among service establishments to 11 from 15. In contrast, retailing failures edged to 71 from 70 and manufacturing climbed to 50 from 37. More businesses failed than a year ago in all lines except wholesaling and retailing where a slight downturn from 1954 was recorded.

The week's decline was concentrated in four regions, including the Middle Atlantic States where the toll fell to 52 from 76, and the Pacific States, off to 42 from 47. On the other hand, increases prevailed in five regions, lifting South Atlantic failures to 20 from 7, East North Central to 24 from 22, New England to 10 from 8 and the Mountain States to 11 from 5. Mortality exceeded last year's level in most regions. The only mild dips from 1954 occurred in New England, the Middle Atlantic and Pacific States.

Canadian failures rose to 21 during the week from 16 in the preceding week, but did not reach the 26 in the comparable week last year.

Wholesale Food Price Index Makes First Advance In Six Weeks

Marking the first advance in six weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 1c the past week to stand at $5.97 on December 27. Last week's level at $5.96 was the lowest in five and a half years. The current index compares with $6.78 a year ago, or a drop of 11.9%.

Commodities moving higher in the past week were corn, lard, cottonseed oil, eggs, steers, hogs and lambs, while flour, wheat, butter and cocoa were lower.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in the general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Moved Within a Narrow Range the Past Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range last week at slightly below the level of the week before. The index closed at 280.47 on Dec. 27, as compared with 280.58 a week earlier and 279.82 on the corresponding date last year.

Trading in leading grain markets during the pre-holiday week was very dull with price changes small.

The weakness in wheat was influenced to some extent by the latest official forecast of 938,159,000 bushels for all wheat produced this year, or almost 23,000,000 bushels more than the previous government estimate.

Corn values were steady to firmer reflecting a paucity of offerings and fairly good demand. The final 1955 estimate placing the corn crop at 3,184,836,000 bushels, showed little change from the previous estimate and compared with 3,010,248,000 bushels produced last year. Soybean prices were stronger with some buying based on export clearances two weeks ago of more than 5,000,000 bushels. Purchases of grain and soybean futures on the Chicago Board of Trade in the same period showed a decline. Daily average sales totaled 31,200,000 bushels, against 38,000,000 the week before and 43,200,000 bushels a year ago.

Bookings of all types of flour held at a very low level during the past week. Limited price changes offered little inducement to buyers and takings were confined largely to trade in need of early replenishment. The domestic raw sugar market held steady in rather dull trading. Trading in cocoa was brisk at the week-end. The activity was prompted by news that the Gold Coast main cocoa crop estimate was officially announced at 220,000 tons, or about 20,000 tons more than the trade had expected.

Coffee prices were mostly steady in moderately active trading.

The first estimate of the 1956-57 Brazil coffee crop has been set at 12,000,000 bags by the Brazil Rural Society, according to recent advices to the "Journal of Commerce."

The Agriculture Department's estimate of next spring's pig crop at 56,000,000 head, was much larger than expected, and not much below last spring's level.

Spot cotton prices ended fractionally higher after moving irregularly in a narrow range. The market continued to be sustained by domestic and foreign price fixations and the heavy movement into the government loan stock. Entries during the week ended Dec. 16 were 458,300 bales, bringing total entries for the season through that date to 4,850,000 bales, with indications pointing to ultimate impoundings of over 6,000,000 bales and a consequent tightening of free supplies later in the season.

The volume of cotton ginned to mid-December this season totaled 13,704,000 bales, or about 5% more than a year earlier.

Sales in the 14 spot markets the past week were reported at 162,500 bales, down sharply from 211,500 a week previous and less than half the volume in the same week a year ago. Foreign inquiries relative to the special cotton export program continued numerous.

Trade Volume Reflected a Seasonal Decline in Past Week

There was a seasonal decline in retail sales in the period ended on Wednesday of last week. However, last-minute Christmas shopping noticeably exceeded that of the corresponding week last year. Considerable increases were reported in sales of expensive merchandise, with principal gains in high-priced toys and household gifts.

Automobile dealers reported a slight rise in the sales of new cars, while interest in used models dropped somewhat.

The total dollar volume of retail trade in the week was 3 to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1954 levels by the following percentages: New England +1 to +5; East, Middle West and Northwest +3 to +7; South and South west +5 to +9 and Pacific Coast +4 to +8%.

Consumer interest in imported glassware and china rose moderately last week, while volume in cutlery and silverware was high and steady. There was an increased call for lamps and lighting fixtures, but interest in major appliances dropped noticeably. Volume in linens and draperies expanded somewhat, while a decrease in the sales of floor coverings was reported.

Shoppers were especially interested in women's accessories the past week. White dress shirts, neckwear, and sweaters were popular men's furnishings. Interest in women's cloth coats and suits dropped slightly, but volume in fur stoles and scarfs was at a higher level than that of the previous week. Sales of children's outer clothing mounted considerably.

Food sales declined moderately at the end of the week. Interest in fresh produce and canned goods decreased most noticeably.

The call for fresh meat and poultry was sustained at high level, volume in butter and cheese equalled that of last year.

Wholesale ordering was maintained at a high level a week ago, and the total dollar volume was slightly above the level of the similar week last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 24,* 1955, increased 21% above that of the like period of last year. In the preceding week, Dec. 17, 1955, an increase of 6% was reported. For the four weeks ended Dec. 24, 1955, an increase of 8% was recorded. For the period Jan. 1, 1955 to Dec. 24, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City last week continued to show gains with the increase for the period estimated by store executives at about 8%. The fact that the week included a Saturday as against a Monday last year was an important factor in the heavier volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 24,* 1955, increased 17% above that of the like period last year. In the preceding week, Dec. 17, 1955, an increase of 2% was recorded. For the four weeks ending Dec. 24, 1955, an increase of 4% was registered. For the period Jan. 1, 1955 to Dec. 24, 1955, the index recorded a rise of 2% from that of the corresponding period of 1954.

*The large increases shown for this week reflect in part the fact that this year Christmas fell on Sunday and the week therefore included six days of [illegible] shopping as compared with five days last year when Christmas fell on Saturday.

"Toppers" Elect New Officers

James F. Reilly, of Lehman Brothers, retiring Chairman of "Toppers," organization of municipal bond men, announced the election of Harry W. Faath, Jr. of Braun, Bosworth & Co., Inc. as Chairman of the group for the ensuing year. Walter W. Niebling, of Merrill Lynch, Pierce, Fenner & Beane, was elected Treasurer of the group and Robert Boytano, of Glore, Forgan & Co., was elected Secretary. The Toppers 1956 Committee, which handles social affairs of the group, comprises Messrs. Faath, Niebling, Boytano and David G. Coogan, of Byrne and Phelps, Inc.; Robert E. Hamilton, of Laidlaw & Co.; John P. Keyes, of Lee Higginson Corporation; William M. Martin, of Bache & Co.; Alan Rice, of Bear, Stearns & Co.; Charles V. Smith of Clark, Dodge & Co.; George Taylor, of Halsey, Stuart & Co., Inc.; George H. Wilder, of Smith, Barney & Co., and Terence P. M. Young, of The First National Bank of Chicago.

Colonial Management Names 2 New Partners

BOSTON, Mass.—Julian Crocker and Theodore W. Noon, Jr. have been admitted as general partners in Colonial Management Associates, investment advisory firm.

Mr. Crocker has been associated with the firm since 1948, specializing as an analyst of industrial securities.

Mr. Noon joined the investment staff of Colonial Management Associates in June, 1951, specializing in oil and gas securities.

Colonial Management Associates acts as investment advisor for a number of private and institutional accounts including three mutual funds: The Colonial Fund, Inc., Gas Industries Fund, Inc., and The Board Investment Trust of America.

With Daniel F. Rice

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Harry Levin has become connected with Daniel F. Rice and Company, 317 Seventy-first Street. Mr. Levin was previously with J. R. Williston & Co. and Bache & Co.

Mutual Funds

By ROBERT R. RICH

Booming Economy in 1956 Forecast by National Securities

Further gains in national production and income in 1956 were predicted recently by National Securities & Research Corporation in its special year-end study, "The 1956 Forecast."

"Prospective increases in the demand for goods and services by consumers, business and government, and an enlarged productive capacity to meet this demand, point to a further expansion of gross national product in 1956," the study declared.

Prices Stable

Wholesale and consumer price indexes are expected to hold fairly stable and higher average employment at steadily rising wage rates should produce real gains in purchasing power, gains which are likely to be bolstered by tax reductions. Couple these factors with a continued substantial growth in population, and there is provided the background for large consumer outlays and a sustained demand for housing, the study stated.

Add to this background the fact that state and local governments must provide for the increasing population with accelerated spending for schools, highways and other public facilities, while business will step up its outlays for plant, equipment and inventories to enable it to meet the demands of consumers and government.

On the basis of its analysis of the many factors influencing the economy, National Securities & Research Corporation then predicted that the gross national product for 1956 would reach a new peak of $406 billion. This would compare with the 1955 figure of approximately $388 billion, which was a gain of almost 8% over the $360.5 billion recorded in 1954 and more than 6% above the previous all time high of $364.5 billion achieved in 1953.

The American economy again demonstrated in 1955 its resilience and its capacity for growth by rebounding vigorously from a minor reversal that started in the summer of 1953 and lasted until late in 1954, it was pointed out. Production, construction, trade and employment, and the personal income they generate, have all established new peaks in the year now coming to a close.

Two Elements

Scouting the notion that the peak levels attained by the economy in 1955 point to a corrective dip in the period ahead, the study said two new elements in the picture suggest further gains in 1956.

"Important sources of demand for goods and services now appear to be less responsive to general cyclical influences than they have been in the past. Many of them now have their own individual cycles, enabling them to serve as stabilizing offsets to fluctuations in other sectors.

"Thus, while some of the activities that sparked the current boom, such as home building and automobile production, show signs of leveling off, there is evidence that other activities, such as industrial, commercial and public construction and the output of producers' durable equipment, are being stepped up to expand aggregate production for a growing population. Spending by Federal, state and local governments to some extent can be deliberately adapted to contra-cyclical objectives, although for next year some increase in total government spending appears inevitable regardless of the level of employment."

As the second new element in the economic picture, National Securities & Research Corporation pointed out that the Federal Government, in the midst of a history-making prosperity, is "wisely taking steps to prevent inflationary excesses and their aftermath."

The Government "is deliberately containing the boom, storing up its surplus energy for release when needed to maintain full employment," the study said. "Monetary and fiscal restraints are the principal instruments in this operation."

Ample Credit

The study added, however, that ample credit will be made available if slack should develop in the economy.

"Families desiring new homes on easier terms than those now available have been deferring their purchases," the forecast stated, "but they undoubtedly constitute a vast potential market which can be tapped when necessary."

Apropos the political situation as it affects the national economy, the study said "While there are still significant differences between the two parties, there has been a growing area of agreement on economic policy. This provides a solid foundation for making business and investment decisions without reference to an election forecast. We see no reason to revise our views that the political situation does not materially alter the business outlook."

The 16-page forecast — in its ninth consecutive year—estimates 1956 earnings and dividends of 65 leading industrial corporations, 40 leading railroads and 25 leading utilities, together with detailed analyses of the outlook for the various industries, all prepared by the National Securities & Research staff. National Securities sponsors and manages the National Securities Series of seven mutual funds with assets of more than $260 million.

Eisenhower Program

The study also discusses the legislative program which the Eisenhower Administration is expected to lay before Congress in January. To keep our domestic economy strong, it declared, the President will probably ask that the flexible price support system for farm products be supplemented by measures for surplus disposal and increased exports; a purchasing program to remove market gluts; soil conservation, including payment for land diverted to grass or trees, and aid to low-income farm families.

He will again ask Congress to enact an interstate highway program; and he will request authorization for the construction of 35,000 public housing units per year over the next few years.

The improved budget situation, National Securities & Research Corporation went on, would permit tax cuts if they are needed in 1956 to bolster purchasing power. "Indeed," it added, "this being an election year, we are likely to get a small reduction in personal taxes even if it is not needed and its effect would be to increase inflationary pressures."

Security Prices

On the outlook for security prices, the study said that prices of U. S. Government securities, municipal bonds and high grade corporate bond issues are expected to provide yields which will hold fairly stable. Because a record level of corporate profits is expected in 1956, it is anticipated that prices for both medium and low grade bonds will benefit to a considerable degree, the study added.

Corporate earnings will obtain support from greater operating efficiencies, and the strong financial condition of most U. S. corporations should permit a continuation of liberal dividend disbursements. These are major factors which should provide a sound base for the maintenance of good average level of stock prices, the study stated.

Investors Turn To Funds for Capital, Income

A spokesman for one of the nation's leading underwriters of mutual funds told an audience of Boston investors that attainment of a record billion-dollar investment in mutual funds this year offers proof that more and more investors are turning to these funds as a way to increase both capital and income.

Addressing an investors' forum held under the sponsorship of Keller Brothers Securities Co., local investment firm, C. Ellwood Kalbach, Vice-President of Hugh W. Long and Company, Inc., of Elizabeth, N. J., discussed "Mutual Funds and the Rising Cost of Living."

The speaker emphasized that the record investments in mutual fund shares this year follow two decades in which investors generally have faced a series of crises. Emphasizing that the cost of living has at least doubled during the period, Mr. Kalbach said: "This means that if we placed all our savings in government bonds, savings banks, mortgages, municipal bonds and other dollar-safe investments, we saved only dollars—not buying power."

Mr. Kalbach declared that some people have been able to solve this problem of matching the lower buying power of the dollar with the rising costs of living by making investments in common stocks.

"Though few people during the period could afford to buy a wide diversification of stocks, many people in all income brackets achieved the benefits of a broad participation in American industry through purchasing shares of Fundamental Investors and other mutual funds," Mr. Kalbach related. While living costs rose, he stated, prices of good common stocks in the nation's leading business firms and industries moved upward as well.

"Diversification is the greatest safety factor in any investment plan," according to Mr. Kalbach. "Mutual funds offer three to 10 times the diversification of the 30 stocks comprising the Dow-Jones index. In addition," he continued, "mutual fund shareholders are provided an automatic, constant supervision of their investments by managements of the funds."

The speaker recounted that investments in mutual funds amounted to over $917 million in the first nine months of this year, and that total investments for the year to date had already exceeded the billion-dollar mark. Interest in progressive accumulation plans continued at a high level, with a total of 84,527 individual systematic investing programs started in the first nine months of 1955, Mr. Kalbach concluded.

Farm Outlook For New Year Not Bright

Looking ahead to 1956, it must be said in all honesty that the agricultural picture does not look preceptibly brighter, as indications are that cash receipts from farm marketings will show some further decline, although probably at a lower rate than in the current year, according to "Perspective," a publication of the investment management department of Calvin Bullock, Ltd., which administers investment assets of more than $500,000,000.

The effects of declining gross farm income will be somewhat further aggravated by slightly higher 1956 farm wage rates, agricultural machinery prices, and property taxes per acre, the publication says.

While there is no desire to minimize the seriousness of the problem currently faced by the farm segment of the economy, there are a number of relatively favorable factors which require mention, "Perspective" observes.

First of all, it should be noted that although net farm income this year will be down about 36% from 1947, the years immediately following the end of World War II, 1946-48, were quite abnormal from the standpoint of what may be called agricultural profit margin. It goes without saying, the publication points out, that the war years were equally abnormal.

For the years 1946-48 the parity ratio averaged 112.6%, reaching an all-time peak of 115 in 1947. As a consequence of this highly favorable cost-price structure, net farm income for 1946-48 averaged 47.5% of gross farm income (including government payments). In 1949, when the parity ratio averaged 100, the so-called agricultural profit margin declined to 37% of gross farm income.

It should also be kept in mind for purposes of agricultural perspective, according to the publication, that although 1955 will be the third successive year in which parity has fallen below 100, there have been nine years, 1942-48, 1950-51, in which parity exceeded 100, as well as two years, 1949 and 1952, in which the average was exactly 100, although it is obvious that this statistic is of negligible consolation to the farmer presently faced with parity at 81.

The fact remains, "Perspective" says, that, during those 11 years of parity or better, farmers as a group took on a considerable amount of fat in the shape of physical assets, bank deposits, cash and other worldly goods.

Figures published by the Federal Reserve Board show that between Jan. 1, 1946 and Jan. 1, 1955 total farm assets increased from $101,500,000,000 to $163,100,000,000, or by roughly 60%. Real estate ownership increased from $56,500,000,000 to $91,300,000,000, or by about 61%. This was offset in part by an increase of real estate debt from $5,000,000,000 to $8,200,000,000, or 64%.

However, ownership of machinery and motor vehicles rose by 270% over the period, household equipment increased by 260% and holdings of U. S. Savings bonds rose by 8%. There was a drop of 2% in deposits and currency.

Another relatively favorable aspect of the agricultural situation from the long view, according to "Perspective," is the continuing decline in farm population. When adjustment is made for this factor, the per capita statistics on agricultural income look considerably better than they look on an absolute basis.

In addition, the report says, the farm income situation has also been improved substantially in recent years by a rising trend of income from non-farm sources. The Department of Agriculture has estimated that in 1954 this amounted to about $5,700,000,000, equivalent to 48% of net income from strictly agricultural sources.

In summing up, the publication warned that an early and final solution of the farm problem is not in prospect, yet saying that "we believe that, on the record of a relatively brief trial, a shift to a flexible and somewhat lower level of price supports is a constructive step in any long range program for agriculture.

A continuation of acreage restrictions and marketing quotas as companion pieces to price supports, also appears inevitable. There is, however, the recurrent danger that, in the months just ahead, the purely economic aspects of the problem may be obscured by the political considerations."

* * *

Massachusetts Investors Growth Stock Fund ended its fiscal year on Nov. 30, 1955 with total net assets, shares outstanding and stockholders at the highest point in its history, according to the fund's 23rd annual report.

Total net assets were $77,092,340 with 8,258,316 shares outstanding and 20,962 stockholders, compared with $60,073,468 in assets, 7,453,284 shares outstanding and 18,733 stockholders last year.

Net asset value per share on Nov. 30, 1955 was $9.34, also a new year-end high. This amount, together with special distributions of 58 cents per share in December 1955 and 19 cents per share in December 1954, is equivalent to $10.11 per share and compares with a net asset value of $8.06 per share on Nov. 30, 1954. All per share figures and shares outstanding are adjusted to reflect the three-for-one stock split which was effective Oct. 7, 1955.

On Nov. 30, 1955 the fund had 15 stocks in its portfolio which were not held as of Nov. 30, 1954, including Aluminum Co. of America; American Home Products Corp.; Central and South West Corp.; Florida Power & Light Corp.; Hammond Organ Company; Zenith Radio Corp.; Corning Glass Works; Gustin-Bacon Manufacturing Corp.; Aetna Life Insurance Co.; Southland Royalty Co.; Warren Petroleum Corp.; Aeroquip Corp.; Metals & Controls Corp.; National Lead Company; and Sheraton Corporation.

For the first time the report also included a table listing portfolio companies which are presently active in the new growth field of atomic energy research and have some prospects in due time of benefiting directly from developments in this field.

J. McG. Dalenz Named V.-P. of Calvin Bullock

John McG. Dalenz has been named Vice-President and Sales Manager of Calvin Bullock, Ltd., 1 Wall Street, New York City, it was announced by Hugh Bullock, President.


John McG. Dalenz

Mr. Dalenz has been a member of the Bullock organization since 1929, and for 10 years was Managing Director of Calvin Bullock, Ltd., London, and was recently eastern regional Vice-President.

A member of the class of 1928 at Princeton, Mr. Dalenz served with the U. S. Navy in the Pacific during World War II. He is a resident of Riverside, Conn., and is a member of the Lawyers Club (New York), the Innis Arden Golf Club and the Riverside Yacht Club.

* * *

Puritan Fund net assets and number of shares outstanding reached new highs in the quarter ended Oct. 31, 1955, when net assets totaled $18,424,131, compared with $15,127,358 on July 31, 1955, an increase of 21.7%. A year ago on Oct. 31, 1954, the net asset value was $3,012,789.

Number of shares outstanding totaled 2,843,110 as of Oct. 31, 1955, an increase of 27.2% over the July 31, 1955, fiscal year-end total of 2,234,865. A year ago on Oct. 31, 1954, there were 552,396 shares outstanding.

Net asset value per share was $6.48 on Oct. 31, 1955, compared with $5.45 a year ago.

To Split Stock

Subject to approval by shareholders at a special meeting to be held in the latter part of January, 1956, the directors of Crown Western Investments, Inc. recommended a split on a two-for-one basis in the shares of Diversified Income Fund series.

Assets in Canada

The Capital Growth Fund of Group Securities, Inc. reports 14.05% of assets in Canadian companies as of Nov. 30, 1955. This compares with 8.29% one year earlier. Most recent acquisition in this group, 41,000 shares of Canadian Pipelines and Petroleums, Ltd., was acquired at an average cost of $2.06.

American Business Shares Assets At $33 Million

American Business Shares, Inc. reporting for the fiscal year ending Nov. 30, 1955 shows net assets of $33,289,143, equivalent to $4.31 on each of the 7,722,803 shares of capital stock, an increase for the year of 27 cents per share after adjustment for a 45-cent capital gain distribution on Dec. 31, 1954.

Investments are 50.7% common stocks and 48.1% bonds, preferred stocks, and guaranteed railroad stocks.

Common stocks representing the service industries (33.4% of total investment) producers and consumers' non-durable goods (11.2%); and fuel and raw materials (5.9%).

Harry I. Prankard II, President, comments: "During the rise in the prices of securities which has been taking place since 1949, many of the stocks which we owned advanced to points which we believed fully valued their earnings for the foreseeable future. In such instances, these stocks were sold and the proceeds reinvested in other securities which seemed to offer a better opportunity for profit with no greater risk of loss, or with a substantially smaller risk of loss. During this period, the portion of our assets invested for stability was increased from 35% to nearly 50%."

* * *

Scudder Fund of Canada Ltd's report for the period ended Nov. 30, 1955, issued by Hardwick Stires, President, shows that net assets of the fund on Nov. 30 amounted to $50,103,124, equal to $40.08 a share on 1,250,000 shares outstanding. Three months earlier, on Aug. 31, net asset value was $51,471,330 or $41.18 per share. On May 31, prior to issuance of an additional 250,000 shares or stock, proceeds from which increased investable funds, net asset value amounted to $37,419,467, equivalent to $37.41 a share on the 1,000,000 shares then outstanding.

The report noted that "during the six months ended Nov. 30, the Canadian-U. S. exchange rate declined from a premium of $1\frac{1}{2}$% for Canadian dollars to an even basis of exchange. Canadian exports have expanded in recent months, while imports, influenced to some extent by the requirements of an expanding economy, have advanced even more rapidly.

"The resulting increase in the excess of merchandise imports over exports has put mild downward pressure on the Canadian dollar in international exchange.

"Another influence working in the same direction has been the reduced flow of United States capital into Canada, attributable in part to the disadvantages to United States bond investors of the exchange premium and the low interest rates which prevailed in Canada earlier this year. Elimination of the exchange premium is, of course, favorable for the Canadian export trades."

The report added that "the relationship between average stock prices in the two countries seems favorable to Canadian stocks."

Business Pace To Slow Down

The 22nd annual report of Group Securities, Inc., leading mutual fund, in commenting on the outlook for 1956 and beyond, makes the point that, "Despite the currently favorable levels of business and of securities prices generally, there is strong evidence that we are in the early stages of one of our country's greatest decades of technological progress and prosperity.

"As part of this longer term uptrend, 1956 should again record new peak levels of overall business activity although the pace of this advance should be more 'normal' than that of the more spectacular recent past.

"The reflection of this condition in the securities markets is likely to be a period of consolidation — of 'resting' — over the months ahead which, as was observed in a recent dividend message 'is both healthy and in order.'

"The clearly brilliant possibilities over the years ahead offer a challenge to business and to financial management. Typically and logically, individual industries and companies will share unevenly both as to time and as to extent. And the 'over-discounting' by securities prices of good and bad news—generally and with respect to individual companies—will continue to provide opportunities for the careful selection of values with which to further the purpose of each of the funds and classes."

The report lists assets of $99,377,781 at the end of fiscal 1955, a gain of $24,835,788, or 33.3% over a year ago. During the year shares outstanding rose 26.2% to 13,001,932 and 5,352 new shareholders were added.

Total 1955 dividend payments to shareholders from net investment income were $3,865,879 as compared to $3,269,480 in 1954. This brings the aggregate of such payments since Group Securities' inception to $42,545,341.

Distributions from net realized securities profits amounted to $5,163,327 in 1955, and $497,218 in 1954. Since inception these have aggregated $17,807,322, apart from more than $9,000,000 (net) of profits realized in the process of raising cash to redeem the shares of retiring shareholders, which was properly allocated to such redemptions.

The Average Fund Shareholder

THE REGULAR ACCOUNT HOLDER

	Median
Age	54.3 yrs.
Family Income in 1954	$6,987
Value of Mutual Fund Holdings	$4,920
Number of Funds Held	1.73
Amount of Most Recent Fund Purchase	$1,055
Other Assets	
Number of Corporate Stocks Owned Directly	4.8
Value of Corporate Stock Holdings	$12,940
Bank Accounts and Savings Bonds	$3,612
Life Insurance in Force	$9,235

ACCUMULATION PLAN-HOLDER

	Median
Age	41.7 yrs.
Family Income in 1954	$6,375
Value of Mutual Fund Holdings	$1,750
Number of Funds Held	1.0
Amount Being Invested Regularly in Plan	$49
Other Assets	
Number of Corporate Stocks Owned Directly	1.3
Value of Corporate Stock Holdings	$1,817
Bank Accounts and Savings Bonds	$1,825
Life Insurance in Force	$12,375

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The SEC and Regulation "A"

to protect the public from front-money rackets and stock-jobbing activities in various ways, such as by requiring adequate disclosure, denying or suspending offerings, investigating and prosecuting fraud, and regulating the practices of broker-dealers. In addition, the Commission has proposed certain stiffer requirements for the use of Regulation A by promotional companies.

On July 18, 1955, the Commission circulated for comment its proposed Regulation A revisions, and on Nov. 15, 1955, public hearings on the proposals were held in Washington. Numerous written comments were elicited from lawyers, issuers, broker-dealers, accountants, newspapers, stock exchanges and state securities administrators. Considerable interest in the proposed new rules was also shown during the hearings on the bill of Congressman Bennett to abolish the conditional exemption under Regulation A, which were recently held in Denver, Salt Lake City and New York City. All of these observations are being given careful consideration by the Commission.

In deciding whether to adopt the proposed rule revision, in whole or in part, or whether the public interest would be best served by requiring promotional companies to register their securities under the Securities Act, the Commission has first to surmount the hurdle of determining the permissible scope of the statutory exemptive provision. Section 3(b) of the Act says, in part, that the Commission may exempt any class of securities "if it finds that the enforcement of . . . [the registration requirements] with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering. . ." The statute provides further that the aggregate amount of an exempt public offering shall not exceed $300,000.

When the amount of the public offering is small and of limited character—and by statutory definition "small" means less than $300,000—the Commission has the authority to exempt the issue from the requirements of registration and prescribe terms and conditions for making the offering provided that it makes the finding that the public investors do not need the protections afforded by full registration. The protections of full registration include the right to recover damages for false or misleading statements or omissions against the persons signing or named in the registration statement. In allowing the conditional exemption from registration, Congress intended to encourage the development of small business by making the procedures for raising a limited amount of capital from the public relatively simpler and less costly than in raising large sums. One factor in making small financings less complicated and less expensive was the elimination of the protection afforded by the civil liabilities of the directors, experts and underwriters to investors.

The question arises whether the Congress contemplated that the conditional exemption should be extended to promotional companies in speculative industries where, by reason of inherent economic hazards, investors are not protected from extreme risks of loss. A forceful argument can be made that the public interest is not being best served by making the exemption available to speculative classes of securities where the public investor is liable to suffer severe losses. If the likelihood of losses exists — even losses occurring from economic factors—it can be argued that the public investor should not be denied the protection afforded by the civil liabilities section. On the other hand, the design of the Congress in permitting the exemption was to facilitate the financing of small businesses by simplifying the requirements for offering their securities to the public. The companies that need the benefits of the exemption from registration are most promotional enterprises whose public offerings of securities are small and of limited character.

The Commission is facing the problem of whether it is in the public interest, and within the intent of Congress, to continue to allow the use of the exemption by promotional companies. The economic advantage that results from facilitating the financings of small companies must be balanced against the possible loss of investor protection where exemption from full registration, with its attendant provisions for civil liabilities, is permitted. If the Commission determines to retain the conditional exemption for small promotional issues, instead of putting these offerings under registration requirements, it does not intend to adopt revisions to the Regulation A rules that may be unduly restrictive on the issuers.

Examination of the documents required to be filed under Regulation A by the Regional offices of the Commission has been an essential component of our enforcement program to detect and prevent fraud in the sale of securities. Another important method used by the Commission in protecting the public investor is its broker-dealer inspection program. Brokers and dealers registered with the Commission are subjected to periodic, surprise inspections by our investigators. The financial condition of the firm is ascertained, and the practices as to pricing, treatment of customers' funds and securities and making proper disclosures to customers are reviewed. The adequacy of the firm's procedures in keeping the books and records prescribed by the Commission is also carefully studied. While our inspectors make every effort to avoid unnecessary disruption of the business of the firm, they do a thorough job. If the inspection report discloses that the capital of the firm is impaired or if other serious violations are discovered, prompt action is taken to revoke the registration or enjoin the unlawful practices.

The high volume of financings by small promotional companies has attracted a vast number of newcomers into the securities business. This rapid growth of registrants has raised serious problems for the Commission in carrying out its responsibilities to protect the public. On June 30, 1953 there were 62 registered broker-dealers in Colorado and 28 in Utah. Two years later, Colorado had 106 and Utah had 85; the broker-dealer population in these two states alone had increased in two years from 90 to 191. This increase was approximately one-third of the total increase in the number of broker-dealers in the entire United States for these two years. During the same period the NASD members in the two states increased from 57 to 130. Many of these new registrants have had no background of financial experience and they often contributed insufficient capital to their businesses.

In order to ascertain whether these brokers and dealers were conducting their affairs in a lawful manner, the Commission recently dispatched a special inspection task force to the Denver-Salt Lake area. From August to the middle of November, the task force completed a total of 53 inspections. Based upon its reports, three firms have been enjoined from doing business by reason of insolvency and violations of the net capital rule and revocation proceedings have been recommended to the Commission against two other firms. In addition, several registrants have applied for withdrawal of their registrations as a result of the disclosure by the inspections of capital and other deficiencies. We have sent warning letters to many of the other firms which have been inspected, citing various deficiencies in their operations which did not warrant initiation of disciplinary proceedings, as where the violations were relatively minor and resulted from inexperience.

The task force has inspected several NASD member firms in this region which were recently inspected by the NASD. Duplication of inspections was necessary, in spite of the arrangement between NASD and the Commission designed to avoid frequent revisitations of firms, because of the large number of new, inexperienced registrants and indications of unsound financial condition of some of them. The Commission has the duty to make inspections, which cannot be delegated to the NASD, for the enforcement of its own laws to protect the public investors, and the NASD has a similar responsibility to obtain compliance with its own rules. Our inspectors, being experienced men in the securities field, assist registrants by explaining the use and purposes of the various prescribed records and offering constructive suggestions. On the other hand, the inspectors do not hesitate to recommend action—as injunctive or revocation proceedings —against firms where violations injure the public interest.

The high level of the securities markets has made it advisable for the Commission to provide new safeguards to protect the public against broker-dealer insolvencies that could be caused by possible market declines. The net capital rule applicable to broker-dealers has been tightened to provide that in computing net capital a 30% deduction from the market value of common stock commitments or inventory must be made. This so-called "haircut" of 30%, as compared with the former 10% deduction, establishes a more stringent standard for broker-dealer financial responsibility.

The coverage of the net capital rule has, by a further rule amendment, effective Dec. 1, 1955, been extended to substantially all broker-dealers registered with the Commission regardless of whether they carry customers' balances or securities. Approximately 40% of the broker-dealers registered with the Commission claim that they do not engage in the practice of extending credit to customers or carrying money or securities for the account of customers. However, since these broker-dealers frequently owe money or securities to customers in substantial amounts, the Commission believes that their customers require and are entitled to the protection afforded by the net capital rule.

The Commission is also considering the adoption of a rule that would require all registered brokers and dealers to file annually with the Commission financial reports which have been certified by independent public accountants. At the present time, only broker-dealers who make a practice of extending credit to, or holding securities for, customers have been required to file certified financials with the Commission. The adoption of this new rule in the immediate future, to make it mandatory for all brokers and dealers to file annually certified financial reports, will place additional responsibilities on the securities industry for policing itself and will afford increased protection to public investors.

During the last session of the Congress, Senator J. William Fulbright introduced a bill designed to extend certain provisions of the Securities Exchange Act applicable only to companies listed on national securities exchanges to certain unlisted companies. A similar bill was also introduced in the House of Representatives by Congressman Arthur G. Klein. The Fulbright-Klein proposals apply to unlisted companies having total assets of more than $2 million if the number of holders of equity securities exceeds 750 or the total amount of debt securities exceeds $1 million. These unlisted companies would be required to comply with the reporting, proxy and insider trading provisions of the Act.

While recognizing the soundness of its broad principles and objectives, the Commission has not endorsed the Fulbright-Klein bill. The Commission believes that a thorough, objective study of the reporting and proxy practices of the companies affected by the legislation should first be made in order to determine the factual need for such a vast extension of its regulatory jurisdiction. The Commission is presently conducting a survey to ascertain the identities of these companies, the nature of their financial reports to shareholders and their practices in soliciting proxies. The impact of the insider trading restrictions on the sponsorship of their securities by brokers and dealers who are also directors of the companies is also being studied. This analysis, which we plan to complete by the time the Congress reconvenes in January, should disclose whether, in fact, there exist serious abuses that should be rectified by the proposed legislation.

This period of strenuous activity in the securities markets requires the utmost vigilance of the Commission. In carrying out its Congressional mandate, the primary objective of the Commissio is to protect the public investor through aggressive and strict en forcement of the disclosure an anti-fraud provisions of the stat utes without stifling or stranglin the economic development c legitimate enterprises by un necessary or burdensome regu lation. We trust that our wor will continue to contribute ef fectively to investor confidenc in the expansion of our econom and the existence of free an open securities markets.

Joins Rogers Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Warner F Rogers has joined the staff o Rogers & Company, 511 Sixteent Street.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

FT. MYERS, Fla. — Howard F Minor is now with King Merrit & Co., Inc. He was formerl connected with Anderson Cool Co., Inc.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George T. Hunt i now with A. M. Kidder & Co., 13 East Flagler Street.

George Dickely

George Dickely, associated wit Waddell & Reed, New York City passed away Dec. 23 at the age o 60 following a heart attack.

Joins E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Lowell H Hancock has joined the staff o E. F. Hutton & Company, 10 Nort Garfield Avenue.

Join Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Ira C. Dalton Harriette A. Lombardi and Emmett A. Parrish have joined the staff of Shelley, Roberts & Co. First National Bank Building.

Wilson-Roosevelt-Stevenson!

"This was, he (Woodrow Wilson) said, 'nothing short of a new social age, a new era of human relationships, a new stage-setting for the drama of life.' There was need for a new liberation—'for the emancipation of the generous energies of the people.' His mission was to work for liberation; to work for social justice; to establish public policy on the basis of the welfare of all, not on the welfare of a narrow group.

Adlai E. Stevenson

"Let us remember the context of the times. The last years of the 19th century had seen an ominous concentration of wealth, and with it political power, in a few hands. And the economic system, left to itself, would not reverse a process which it had, in fact, set in motion. Laissez-faire could not cure what laissez-faire had helped to start.

"Only one agency commanded enough authority to redress this dangerous unbalance, and this was the National Government. It should use its great powers, derived from the popular vote—from 'the just consent of the governed' to restore equilibrium in the community and insure that all interests shared in the expansion and enrichment of American life."—Adlai E. Stevenson.

One leaves Mr. Stevenson's fine phrases wondering whether, after all, it was not Woodrow Wilson rather than Franklin Roosevelt who fathered the New Deal.

But whatever its origin it appears certain that Mr. Stevenson would perpetuate it.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 8	§96.4	*95.7	100.1	81.2
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 8	§2,373,000	*2,309,000	2,416,000	1,960,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 23	6,991,600	6,945,800	6,858,800	6,400,950
Crude runs to stills—daily average (bbls.)	Dec. 23	¶7,838,000	7,684,000	7,741,000	7,288,000
Gasoline output (bbls.)	Dec. 23	27,063,000	27,069,000	26,201,000	24,767,000
Kerosene output (bbls.)	Dec. 23	2,796,000	2,428,000	2,396,000	2,782,000
Distillate fuel oil output (bbls.)	Dec. 23	12,345,000	12,077,000	11,844,000	12,179,000
Residual fuel oil output (bbls.)	Dec. 23	9,005,000	8,623,000	8,600,000	8,042,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 23	161,741,000	160,406,000	155,866,000	154,922,000
Kerosene (bbls.) at	Dec. 23	28,778,000	29,909,000	34,315,000	30,521,000
Distillate fuel oil (bbls.) at	Dec. 23	117,954,000	126,040,000	145,374,000	113,817,000
Residual fuel oil (bbls.) at	Dec. 23	39,500,000	40,935,000	45,045,000	51,072,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 24	672,355	641,879	583,520	561,195
Revenue freight received from connections (no. of cars)	Dec. 17	670,751	664,474	662,109	612,803
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 29	$276,764,000	$458,354,000	$278,795,000	$216,147,000
Private construction	Dec. 29	173,000,000	260,761,000	173,248,000	68,439,000
Public construction	Dec. 29	103,764,000	197,593,000	105,547,000	147,708,000
State and municipal	Dec. 29	98,619,000	162,495,000	91,080,000	128,118,000
Federal	Dec. 29	5,145,000	35,098,000	14,467,000	19,590,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 24	10,280,000	*10,580,000	9,030,000	7,553,000
Pennsylvania anthracite (tons)	Dec. 24	524,0000	580,000	456,000	605,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 24	230	255	146	190
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 31	10,751,000	‡11,614,000	11,359,000	9,425,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 29	174	181	209	152
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 28	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Dec. 28	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Dec. 28	$53.00	$52.17	$47.00	$32.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 28	42.700c	43.375c	43.225c	29.700c
Export refinery at	Dec. 28	44.475c	44.275c	44.100c	31.250c
Straits tin (New York) at	Dec. 28	107.750c	109.375c	99.000c	87.125c
Lead (New York) at	Dec. 28	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Dec. 23	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Dec. 28	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 3	94.66	94.93	95.09	98.48
Average corporate	Jan. 3	107.09	106.92	107.44	110.52
Aaa	Jan. 3	110.70	110.15	110.70	114.85
Aa	Jan. 3	109.06	108.88	109.42	112.37
A	Jan. 3	107.09	106.92	107.44	110.34
Baa	Jan. 3	101.97	101.97	102.63	105.00
Railroad Group	Jan. 3	105.34	105.17	105.86	108.70
Public Utilities Group	Jan. 3	107.44	107.27	107.62	111.25
Industrials Group	Jan. 3	108.52	108.16	108.88	111.81
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 3	2.90	2.88	2.87	2.61
Average corporate	Jan. 3	3.33	3.34	3.31	3.14
Aaa	Jan. 3	3.13	3.16	3.13	2.91
Aa	Jan. 3	3.22	3.23	3.20	3.04
A	Jan. 3	3.33	3.34	3.31	3.15
Baa	Jan. 3	3.63	3.63	3.59	3.45
Railroad Group	Jan. 3	3.43	3.44	3.40	3.24
Public Utilities Group	Jan. 3	3.31	3.32	3.30	3.10
Industrials Group	Jan. 3	3.25	3.27	3.23	3.07
MOODY'S COMMODITY INDEX	Jan. 3	405.2	405.6	402.3	414.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 24	219,204	229,795	227,809	182,895
Production (tons)	Dec. 24	286,600	296,461	279,120	239,060
Percentage of activity	Dec. 24	101	102	95	90
Unfilled orders (tons) at end of period	Dec. 24	495,467	586,726	542,397	292,891
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 30	107.15	107.14	107.17	106.78
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Dec. 10	1,157,947	1,165,095	1,022,356	1,412,931
Dollar value	Dec. 10	$62,678,227	$62,405,915	$58,694,698	$67,572,730
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 10	1,081,587	1,037,134	807,386	1,492,485
Customers' short sales	Dec. 10	5,402	7,105	4,830	10,121
Customers' other sales	Dec. 10	1,076,185	1,030,029	802,556	1,482,354
Dollar value	Dec. 10	$53,036,758	$50,486,408	$42,246,724	$65,742,603
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 10	315,970	319,360	199,230	468,123
Short sales	Dec. 10	------	------	------	------
Other sales	Dec. 10	315,970	319,360	199,230	468,123
Round-lot purchases by dealers—					
Number of shares	Dec. 10	413,410	444,480	419,490	387,730
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Dec. 10	506,660	520,830	443,030	796,230
Other sales	Dec. 10	13,262,940	12,757,820	9,774,320	18,464,010
Total sales	Dec. 10	13,769,600	13,278,650	10,217,350	19,260,240
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 10	1,699,450	1,636,070	1,117,710	2,216,840
Short sales	Dec. 10	233,750	232,210	206,980	397,520
Other sales	Dec. 10	1,336,070	1,347,320	931,090	1,807,250
Total sales	Dec. 10	1,569,820	1,579,530	1,138,070	2,204,770
Other transactions initiated on the floor—					
Total purchases	Dec. 10	405,380	432,100	237,600	620,540
Short sales	Dec. 10	23,500	33,920	29,300	40,600
Other sales	Dec. 10	380,310	366,430	267,210	568,760
Total sales	Dec. 10	403,810	400,350	296,510	609,360
Other transactions initiated off the floor—					
Total purchases	Dec. 10	894,120	733,077	504,040	743,23[illegible]
Short sales	Dec. 10	127,450	119,960	88,800	146,000
Other sales	Dec. 10	816,227	635,888	490,463	755,057
Total sales	Dec. 10	943,677	755,848	579,263	901,057
Total round-lot transactions for account of members—					
Total purchases	Dec. 10	2,998,950	2,801,247	1,859,350	3,580,61[illegible]
Short sales	Dec. 10	384,700	386,090	325,080	584,120
Other sales	Dec. 10	2,532,607	2,349,638	1,638,763	3,131,067
Total sales	Dec. 10	2,917,307	2,735,728	2,013,843	3,715,187
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 27	111.4	111.2	111.1	109.6
Farm products	Dec. 27	85.2	84.5	83.9	91.8
Processed foods	Dec. 27	97.7	97.7	98.2	103.3
Meats	Dec. 27	69.7	70.4	72.9	84.3
All commodities other than farm and foods	Dec. 27	119.5	119.5	119.2	114.8

*Revised figure. ¶Includes 860,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,090 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,310 tons. ‡All-time record.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of November (in thousands)	$173,198,000	$175,807,000	$156,843,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of October (millions of dollars):			
Manufacturing	$45,200	*$44,700	$43,200
Wholesale	12,200	12,000	11,700
Retail	23,300	23,200	22,000
Total	$80,700	*$80,000	$76,900
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of October (000's omitted)	$669,000,000	$1,488,400,000	$613,600,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of December (000's omitted):			
Total U. S. construction	$1,693,051	$1,369,127	$1,373,486
Private construction	921,292	964,787	759,091
Public construction	771,759	404,340	614,395
State and municipal	666,704	294,380	500,367
Federal	105,055	109,960	114,028
COTTON GINNING (DEPT. OF COMMERCE)— As of Dec. 13 (running bales)	13,703,820	------	13,017,108
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	13,535,000	*13,442,000	12,657,000
Durable goods	7,885,000	*7,726,000	7,198,000
Nondurable goods	5,650,000	*5,716,000	5,459,000
Employment Indexes (1947-49 Avge.=100)— All manufacturing	109.4	*108.7	102.3
Payroll Indexes (1947-49 Average=100)—All manufacturing	164.4	*161.1	142.2
Estimated number of employees in manufacturing industries—			
All manufacturing	17,084,000	*16,985,000	16,057,000
Durable goods	9,916,000	*9,752,000	9,121,000
Nondurable goods	7,168,000	*7,233,000	6,936,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of November:			
Weekly Earnings—			
All manufacturing	$79.52	*$78.50	$73.57
Durable goods	86.10	*85.07	79.15
Nondurable goods	69.77	*69.32	65.97
Hours—			
All manufacturing	41.2	*41.1	40.2
Durable goods	42.0	*41.7	40.8
Nondurable goods	40.1	*40.3	39.5
Hourly Earnings—			
All manufacturing	$1.93	$1.91	$1.83
Durable goods	2.05	2.04	1.94
Nondurable goods	1.74	1.72	1.67
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of October (000's omitted):			
Ordinary	$2,560,000	$2,352,000	$2,097,000
Industrial	571,000	561,000	622,000
Group	579,000	833,000	402,000
Total	$3,710,000	$3,746,000	$3,121,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES— Month of October (millions of dollars):			
Inventories—			
Durable	$25,540	*$25,182	$23,916
Nondurable	19,693	*19,521	19,252
Total	$45,233	*$44,703	$43,168
Sales	26,640	*27,224	22,489
MONEY IN CIRCULATION—TREASURY DEPT. As of Nov. 30 (000's omitted)	$30,987,000	$30,559,000	$30,500,000
NEW YORK STOCK EXCHANGE—As of Nov. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debt balances	$2,796,465	$2,788,843	$2,242,137
Credit extended to customers	37,780	39,775	39,785
Cash on hand and in banks in U. S.	346,403	357,459	338,521
Total of customers' free credit balances	876,386	920,294	972,323
Market value of listed shares	204,649,675	192,781,695	160,985,783
Market value of listed bonds	105,500,618	106,109,809	109,139,204
Member borrowings on U. S. Govt. issues	106,136	126,519	165,563
Member borrowings on other collateral	2,394,562	2,326,237	1,532,373
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of October (in billions):			
Total personal income	$309.6	*$307.9	$288.4
Wage and salary, receipts, total	213.6	*212.4	196.8
Commodity producing industries	92.9	*92.2	83.4
Distributing industries	56.7	*56.4	52.7
Service industries	28.1	*28.0	26.5
Government	35.9	35.8	34.2
Less employees contribution for special insurance	5.3	5.3	4.5
Other labor income	7.1	*7.1	6.7
Proprietors and rental income	49.8	49.7	47.5
Personal interest income and dividends	27.5	27.1	24.9
Total transfer payments	16.9	*16.9	17.0
Total nonagricultural income	294.8	*293.0	290.8
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Nov. 15:			
All farm products	225	230	242
Crops	224	224	243
Commercial vegetables, fresh	231	223	226
Cotton	274	278	281
Feed, grains and hay	164	167	199
Food grains	220	220	239
Fruit	193	188	210
Oil-bearing crops	228	227	277
Potatoes	143	130	184
Tobacco	438	443	438
Livestock and products	225	236	241
Dairy products	267	264	266
Meat animals	216	240	261
Poultry and eggs	195	195	159
Wool	219	222	287
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of October (000s omitted):			
Exports	$1,395,100	*$1,248,900	$1,265,000
Imports	1,034,000	945,100	763,300

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aerco Corp.
Dec. 20 (letter of notification) 816 shares of 5% cumulative participating preferred stock (par $100) and 816 shares of class A common stock (no par) to be offered to class A stockholders of record Dec. 15, 1955, in units of one share of each class of stock for each four class A shares held; rights to expire on Feb. 15, 1956. **Price**—$101 per unit to stockholders; $110 to public. **Proceeds**—For corporate purposes. **Office**—166 Eagle St., Englewood, N. J. **Underwriter**—None.

★ Algoma Central & Hudson Bay Ry.
Dec. 29 filed (by bondholders' committee) certificates of deposit for $3,500,000 first mortgage income debenture stock and/or bonds "which are believed to be held in the United States of America."

★ Allegheny Manganese & Iron Corp.
Dec. 28 filed 580,000 shares of common stock, of which 530,000 shares are to be offered publicly. **Price**—$3 per share. **Proceeds** — For liquidation of liens on mining properties; for mining equipment and construction of a laboratory and field office; for construction and equipment of a plant suitable for the processing of beneficiation of lower grades of manganese ore or Oriskany iron ore; and for working capital. **Office**—Charleston, W. Va. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Allied-Mission Oil, Inc., Tulsa, Okla.
Oct. 3 (letter of notification) 598,800 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition, exploration, drilling and development of leases. **Address**—P. O. Box 1387, Tulsa, Okla. **Underwriter**—United Securities Co., same address.

Alpha Plastics Corp.
Nov. 18 (letter of notification) 300,000 shares of class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—$90,000 to redeem the preferred stock; $18,100 to be payable to stockholders for advances heretofore made to company; for payment of current obligations, etc.; and for working capital. **Office**—94-30 166th St., Jamaica, N. Y. **Underwriter** — J. E. DesRosiers, Inc., 509 Fifth Ave., New York 17, N. Y.

American Business Research, Inc.
Dec. 9 (letter of notification) 19,000 shares of noncumulative preferred stock. **Price** — At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Office**—8002 Wisconsin Ave., Bethesda, Md. **Underwriter**—G. J. Mitchell, Jr., Co., 1420 New York Ave., N.W., Washington, D. C.

★ Arcoa, Inc., Portland, Ore.
Dec. 27 filed $3,000,000 of U-Haul Fleet Owner Contracts to be offered to any person, group of persons or corporation having a legal ownership of a fleet of 30 or more rental trailers, each accompanied by a universal bumper hitch. **Price**—Will vary according to actual cost of a particular fleet. **Proceeds**—To increase number of trailers available for rent in system. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 73,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

★ Atlantic City Electric Co. (2/1)
Dec. 29 filed 75,000 shares of common stock (par $6.50). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Union Securities Corp. and Smith, Barney & Co., both of New York.

Atlas Industries, Inc., Houston, Texas
Oct. 10 (letter of notification) 200,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase dies and materials and for working capital, etc. **Office** — 6006 Harvey Wilson Drive, Houston, Texas. **Underwriter** — Benjamin & Co., Houston, Texas.

Atlas Plywood Corp., Boston, Mass.
Nov. 14 filed 97,144 shares of common stock (par $1) being offered in exchange for the outstanding 291,431 shares of common stock of Plywood, Inc. on the basis of one Atlas share for each three Plywood shares held. Atlas presently owns 496,680 shares of Plywood, Inc. stock and desires to acquire at least an additional 133,809 shares in order to bring its holdings of such stock to 80%. Statement effective Dec. 19.

● Atlas Plywood Corp. (1/9-13)
Dec. 19 filed $3,000,000 of 5½% convertible subordinated debentures due 1975 and $3,000,000 of 5% sinking fund debentures due 1971. **Price**—100% of principal amount. **Proceeds**—To increase inventory and to retire subsidiary indebtedness. **Underwriter**—Van Alstyne, Noel & Co., New York.

Automatic Tool Corp.
Sept. 7 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To set up a factory and purchase equipment and machinery for manufacture and sale of the "grip-lock" driver and screw. **Office**—137 Grand St., New York, N. Y. **Underwriter**—Ellis-Greenberg Co., 1051 Carroll St., Brooklyn, N. Y.

★ B. S. F. Co., Birdsboro, Pa. (1/20)
Dec. 30 filed 92,636 shares of capital stock (par $1) to be offered for subscription by stockholders of record Jan. 20, 1956, at the rate of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A registered investment company. **Underwriter**—None.

Big Chief Uranium Co., Pueblo, Colo.
Sept. 20 (letter of notification) 1,500,000 shares of nonassessable common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — 441 Thatcher Bldg., Pueblo, Colo. **Underwriter**—Investment Service Co., Denver, Colo.

Big Ridge Uranium Corp., Reno, Nev.
Oct. 19 (letter of notification) 9,000,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—Mid America Securities, Inc., Salt Lake City, Utah.

Big Ute Uranium Corp., Overton, Nev.
Oct. 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Underwriter**—James E. Reed Co., Inc., Reno, Nev.

Birdair Structures, Inc.
Dec. 16 (letter of notification) 1,400 shares of preferred stock (par $100) and 28,000 shares of common stock (par 10 cents) to be sold in units of one preferred share and 20 common shares. **Price**—$102 per unit. **Proceeds**—For equipment and working capital. **Business**—Lightweight portable structures. **Address**—c/o Walter W. Bird, President and Treasurer, 355 No. Forest Road, Williamsville, N. Y. **Underwriter**—None.

Bonus Uranium, Inc., Denver, Colo.
Oct. 28 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1154 Bannock St., Denver, Colo. **Underwriter** — Mid-America Securities, Inc., Salt Lake City, Utah.

B-Thrifty, Inc., Miami, Fla.
Nov. 23 filed 37,000 shares of class A common stock (par $25). **Price**—$38 per share. **Proceeds**—To open additional retail stores. **Business** — Supermarket concern. **Office**—5301 Northwest 37th Ave., Miami, Fla. **Underwriter**—None.

Canuba Manganese Mines, Ltd.
Oct. 27 filed 500,000 shares of capital stock (par $1-Canadian). **Price**—$1.50 per share. **Proceeds**—For exploration of mining properties in Cuba. **Office**—Toronto, Canada. **Underwriter** — Baruch Brothers & Co., Inc., New York.

Century Acceptance Corp., Kansas City, Mo.
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill. **Offering**—Expected in January.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of nonassessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

★ Champion Paper & Fibre Co., Hamilton, Ohio
Dec. 22 (letter of notification) an unspecified number of shares of $4.50 cumulative preferred stock and common stock (to an aggregate not to exceed $300,000) to be offered in connection with Employee Deferred Compensation Plan. **Proceeds** — For manufacture of paper products. **Underwriter**—None.

Charleston Parking Service, Inc..
Aug. 1 (letter of notification) 120,000 shares of nonvoting common stock, class A—(par 50 cents) and 60,000 shares of voting common stock, class B (par 10 cents) to be offered in units of two class A and one class B share. **Price**—$5 per unit. **Proceeds**—For general working capital. **Office**—505 National Bank of Commerce Building, Charleston, W. Va. **Underwriter**—Crichton Investment Co., same address.

★ Chemical Ventures Syndicate, Ltd.
Dec. 23 (letter of notification) 295,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To acquire property, purchase inventory and for working capital and general corporate purposes. **Office**—129 South State St., Dover, Del. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Cisco Uranium Corp., Salt Lake City, Utah
Aug. 10 (letter of notification) 7,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses, etc. **Office**—2630 South 2nd West, Salt Lake City, Utah. **Underwriter**—Denver Securities, Inc., Denver, Colo.

Citizens Credit Corp., Washington, D. C.
Sept. 27 (letter of notification) $245,000 of 6% subordinated debentures due 1975 (with warrants to purchase 2,450 shares of class A common and 490 shares of class B common stock). **Price**—99%. **Proceeds**—To supply capital to subsidiaries. **Office**—1028 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—Emory S. Warren & Co., same address.

● Coastal States Oil & Gas Co. (1/9-13)
Dec. 19 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment (expected at around $7 per share). **Proceeds**—To pay off loans incurred for land purchases, for construction of gas pipelines and for further drilling. **Business**—To develop oil lands. **Office** — Corpus Christi, Texas. **Underwriter** — Blair & Co., Incorporated, New York.

Cole Engineering Corp.
Nov. 9 (letter of notification) 2,575 shares of common stock. **Price**—$10 per share. **Proceeds**—For new machinery, etc. **Underwriter**—Spencer, Zimmerman & Co., Inc., Columbus, Ga.

● Colohoma Uranium, Inc. (3/1)
Nov. 9 filed 2,500,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Office**—Montrose, Colo. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

Comet Uranium Corp., Washington, D. C.
Aug. 20 (letter of notification) 700,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—501 Perpetual Bldg., Washington 4, D. C. **Underwriters**—Mid America Securities, Inc., Salt Lake City, Utah; and Seaboard Securities Corp., Washington, D. C.

● Continental Copper & Steel Industries, Inc. (1/16)
Dec. 21 filed 263,771 shares of common stock (par $2) to be offered for subscription by stockholders at rate of one new share for each five shares held about Jan. 16, 1956; for a 16-day standby. **Price**—To be supplied by amendment (to be not less than $10 per share). **Proceeds**—To increase inventories and receivables required for expansion of sales and for other general corporate purposes. **Underwriters**—Allen & Co., P. W. Brooks & Co. Inc. and Auchincloss, Parker & Redpath, all of New York.

Cook Industries, Inc., Dallas, Texas
Aug. 1 (letter of notification) 199,999 shares of common stock (par $1), of which 107,915 shares are to be sold by company and 92,084 shares by a selling stockholder. **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Central Securities Co., Dallas, Texas.

Cross-Bow Uranium Corp.
Aug. 29 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (six cents per share). **Proceeds** — For mining operations. **Office** — 1026 Kearns Bldg., Salt Lake City, Utah. **Underwriters**—Potter Investment Co., and Mid-America Securities, both of Salt Lake City, Utah.

● Cuba (Republic of) (1/9-13)
Nov. 21 filed $2,000,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

★ Cumberland Corp., Lexington, Ky. (1/23-27)
Dec. 30 filed $900,000 of 12-year 5% sinking fund debentures due Jan. 15, 1968, and 90,000 shares of common stock (par 50 cents) to be offered in units of $500 of debentures and 50 shares of stock. **Price**—To be supplied by amendment (about $550 per unit). **Proceeds** — To build plant to make charcoal brickettes and chemical

byproducts, notably furfural. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; Carl M. Loeb, Rhoades & Co., New York, N. Y., and The Bankers Bond Co., Louisville, Ky.

★ DanCu Chemical Co., Oklahoma City, Okla.
Dec. 27 (letter of notification) 14,003 shares of 7% non-cumulative preferred stock. **Price**—At par ($1 per share). **Proceeds**—For development, improvement and manufacture re. chemical research and exploitation. **Office**—1000 S. McKinley, Oklahoma City, Okla. **Underwriter**—None.

Danly Machine Specialties, Inc. (1/10)
Dec. 16 filed 180,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — Together with $4,750,000 to be received from loan by institutional investors, to be used to retire present funded debt and to expand production facilities. **Office** — Cicero, Ill. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

★ Dayton Rubber Co., Dayton, Ohio
Dec. 22 (letter of notification) 1,800 shares of common stock (par 50 cents). **Price**—At market. **Proceeds**—For general corporate purposes. **Office** — 2342 West Riverview Ave., Dayton, Ohio. **Underwriter**—None.

Delta Minerals Co., Casper, Wyo.
Sept. 20 (letter of notification) 600,000 shares of non-assessable common stock (par five cents). **Price**—50 cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—223 City and County Bldg., Casper, Wyo. **Underwriter**—The Western Trader & Investor, Salt Lake City, Utah.

Del-Valley Corp.
Dec. 13 (letter of notification) $235,000 of junior lien bonds due in two years from date of issue without interest. **Price**—80% of principal amount. **Proceeds**—To reduce mortgages and for construction cost. **Office**—Cherry Hill, near Camden, N. J. **Underwriter**—Blair & Co. Incorporated, Philadelphia, Pa.

Dennis Run Corp., Oil City, Pa.
Nov. 28 (letter of notification) 46,000 shares of common stock (par $1). **Price**—$6.50 per share. **Proceeds**—To pay bank loans and debts; and for working capital. **Office**—40 National Transit Bldg., Oil City, Pa. **Underwriter**—Grover O'Neill & Co., New York.

Dinosaur Uranium Corp., Salt Lake City, Utah
Aug. 15 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—15 Exchange Place, Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

Dix Uranium Corp., Provo, Utah
Aug. 10 (letter of notification) 6,000,000 shares of non-assessable capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—290 North University Ave., Provo, Utah. **Underwriter** — Weber Investment Co., Provo, Utah.

★ E-I Mutual Association (1/18)
Dec. 29 (letter of notification) 3,000 shares of Class B special stock, 1956 series. **Price**—$10 per share. **Proceeds**—To be held in a redemption fund. **Office**—180 Main St., West Orange, N. J. **Business**—Various projects, cooperative and otherwise. **Underwriter**—None.

Eagle Rock Uranium Co., Salt Lake City, Utah
Sept. 19 (letter of notification) 30,000,000 shares of non-assessable common stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—214 East 5th South, Salt Lake City, Utah. **Underwriter**—Valley State Brokerage, Inc., Las Vegas, Nev.

East Basin Oil & Uranium Co.
Oct. 25 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to drilling for oil and gas. **Office**—Colorado Bldg., Denver, Colo. **Underwriter**—Philip Gordon & Co., Inc., New York.

Edgemont Shopping Center, Inc., Chicago, Ill.
Oct. 14 filed 6,000 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—To acquire title to shopping center in Lansing, Mich., from builder of center. **Underwriter**—None, offering to be made through officers of company. Funds are to be held in escrow (if not enough is received, funds will be returned to purchasers of stock).

★ Estate Security, Inc., Riverside, Calif.
Dec. 20 (letter of notification) 50,000 shares of 8% preferred stock (par $1) and 50,000 shares of class A common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$1 per unit. **Proceeds**—For equipment and working capital. **Business**—Preservation of business records on microfilm in bomb-proof files. **Office**—4224 Luther St., Riverside, Calif. **Underwriter**—None.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
Dec. 1 filed 240,000 shares of class A (voting) common stock (par $25 cents); 214,285 shares of class B (voting) common stock (par 35 cents); and 300,000 shares of class C (non-voting) common stock (par 50 cents). Of these shares, 40,000 are to be offered to officers, directors and employees of the company. Class A, B and C stock will also be issued to policyholders of the Farm & Home Insurance Co. in exchange for the assignment of their insurance dividends. **Price** — At their respective par values. **Proceeds**—For working capital. **Underwriters**—James E. McNelis and John J. Rhodes.

Farmer's Educational and Co-Operative Union of America, Denver, Colo.
Nov. 23 filed $2,300,000 of registered debentures, series A; $500,000 of registered savings debentures, series B; and $1,200,000 of registered savings debentures, series C. **Price**—At par (in units of $100, $125 and $120, respectively). **Proceeds** — To be loaned to or invested in Union subsidiaries; to retire outstanding indebtedness; and to expand the Union's educational activities. **Underwriter**—None. Debentures to be sold by salesmen, dealers and agents, and by officers, directors and employees of the Union, which is often referred to as National Farmers Union.

● Federal Oil Co., Newark, N. J. (1/9)
Dec. 6 (letter of notification) 99,900 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital and subsequently to defray cost of acquisition of Economy Service, Inc. **Office**—415 Raymond Blvd., Newark, N. J. **Underwriter** — S. D. Fuller & Co., New York.

First Federal Life Insurance Co., Baltimore, Md.
Dec. 21 filed 20,000 shares of capital stock (par $10) to be offered for subscription by class A and class B stockholders of The Finance Co. of America at Baltimore on a 1-for-5 basis. **Price**—$20.50 per share. **Proceeds**—For capital and surplus account. **Underwriter** — None, but Louis Eliasberg, Louis Eliasberg, Jr., and Richard A. Eliasberg (President) are committed to purchase any unsubscribed shares.

★ First Investors Corp., New York
Dec. 29 filed an additional $100,000,000 in Periodic Payment Plans (DW and DWN) and Single Payment Plans (DWP).

Ford Motor Co., Detroit, Mich. (1/18)
Dec. 21 filed 10,200,000 shares of common stock (par $5). **Price**—To be supplied by amendment (expected to be around $70 per share). **Proceeds**—To Ford Foundation. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.

Ford Motor Co., Detroit, Mich.
Dec. 21 filed 800,000 shares of common stock (par $5) to be offered pursuant to the company's Savings and Stock Investment Program for Salaried Employees. **Underwriter**—None.

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NEW ISSUE CALENDAR

January 6 (Friday)

Techbuilt Homes, Inc.______Debentures
(Aetna Securities Corp.) $300,000

January 9 (Monday)

Atlas Plywood Corp.______Debentures
(Van Alstyne, Noel & Co.) $6,000,000

Federal Oil Co.______Common
(S. D. Fuller & Co.) $299,700

Coastal States Oil & Gas Co.______Common
(Blair & Co. Incorporated) 500,000 shares

Cuba (Republic of)______Bonds
(Allen & Co.) $2,000,000

International Metals Corp.______Common
(Gearhart & Otis, Inc.) $400,000

January 10 (Tuesday)

Danly Machine Specialties, Inc.______Common
(A. G. Becker & Co. Inc.) 180,000 shares

Puerto Rican Jai Alai, Inc.______Common
(F. H. Crerie & Co., Inc.) $1,875,000

January 11 (Wednesday)

General Shoe Corp.______Common
(Smith, Barney & Co.) 160,000 shares

New Orleans Public Service Inc.______Preferred
(Bids 11:30 a.m. EST) $6,000,000

January 12 (Thursday)

Korvette (E. J.), Inc.______Common
(Carl M. Loeb, Rhoades & Co.) 222,000 shares

Lear, Inc.______Debentures
(Smith, Barney & Co. and William R. Staats & Co.) $3,000,000

Union Planters National Bank______Common
(Offering to stockholders—underwritten by Equitable Securities Corp.) $2,100,000

January 13 (Friday)

Ohio Water Service Co.______Common
(Offering to stockholders—underwritten by Blair F. Claybaugh & Co.) 12,157 shares

January 16 (Monday)

Continental Copper & Steel Industries, Inc.___Com.
(Offering to stockholders—underwritten by Allen & Co.; P. W. Brooks & Co., Inc.; and Auchincloss, Parker & Redpath) 263,771 shares

Maine Fidelity Life Insurance Co.______Common
(P. W. Brooks & Co., Inc.) $1,125,000

National Old Line Insurance Co.___Common A & B
(Equitable Securities Corp.) 100,000 shares

Silvray Lighting, Inc.______Common
(Milton D. Blauner & Co., Inc.) 225,000 shares

January 17 (Tuesday)

Signature Loan Co., Inc.______Class A
(Simon, Strauss & Himme) $750,000

January 18 (Wednesday)

Chicago, Burlington & Quincy RR.__Equip. Tr. Ctfs.
(Bids to be invited) $7,000,000

Ford Motor Co.______Class A Common
(Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.) 10,200,000 shares

Seattle-First National Bank______Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 100,000 shares

January 20 (Friday)

B. S. F. Co.______Common
(Offering to stockholders—no underwriting) 92,636 shares

Citizens & Southern National Bank (Ga.)___Com.
(Offering to stockholders) $3,000,000

January 23 (Monday)

Clark Oil & Refining Co.______Preferred
(Loewi & Co.) about $1,800,000

Cumberland Corp.______Debentures & Common
(William R. Staats & Co.; Carl M. Loeb, Rhoades & Co.; and The Bankers Bond Co.) $990,000

January 24 (Tuesday)

Green (A. P.) Fire Brick Co.______Common
(Blyth & Co., Inc. and Shields & Co.) 245,007 shares

Southern Oxygen Co.______Debentures
(Johnston, Lemon & Co. and Union Securities Corp.) $1,250,000

Textron American Inc.______Debentures
(Blair & Co. Incorporated) $30,000,000

January 25 (Wednesday)

Northern Pacific Ry.______Equip. Trust Ctfs.
(Bids to be invited) $5,500,000

January 27 (Friday)

Lisbon Uranium Corp.______Common
(Offering to stockholders—no underwriting) 1,306,209 shares

January 30 (Monday)

General Telephone Co. of California______Preferred
(To be offered under exchange offer—to be underwritten by Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $14,377,240

January 31 (Tuesday)

Northwestern Bell Telephone Co.______Debentures
(Bids to be invited) $25,000,000

Southern Mining & Milling Co.______Common
(Franklin Securities Co.) $300,000

Texas Utilities Co.______Common
(Bids to be invited) about $15,000,000

February 1 (Wednesday)

Atlantic City Electric Co.______Common
(Union Securities Corp. and Smith, Barney & Co.) 75,000 shares

February 13 (Monday)

Western Greyhound Racing, Inc.______Common
(M. J. Reiter Co.) $2,250,000

February 14 (Tuesday)

Central Power & Light Co.______Bonds
(Bids noon EST) $10,000,000

February 15 (Wednesday)

Dallas Power & Light Co.______Bonds
(Bids to be invited) $10,000,000

Pennsylvania Electric Co.______Bonds
(Bids to be invited) $25,000,000

Pennsylvania Electric Co.______Preferred
(Bids to be invited) $9,000,000

February 23 (Thursday)

Southern Indiana Gas & Electric Co.______Common
(Offering to stockholders—may be underwritten by Smith, Barney & Co.) 83,030 shares

February 27 (Monday)

Kansas Gas & Electric Co.______Bonds
(Bids 11 a.m. EST) $7,000,000

Kansas Gas & Electric Co.______Common
(Bids 11 a.m. EST) 200,000 shares

February 28 (Tuesday)

Texas Electric Service Co.______Bonds
(Bids to be invited) $10,000,000

February 29 (Wednesday)

Northern States Power Co.______Common
(Bids to be invited)

March 1 (Thursday)

Colohoma Uranium, Inc.______Common
(General Investing Corp.) $1,000,000

Mississippi Power Co.______Bonds
(Bids to be invited) $4,000,000

Mississippi Power Co.______Preferred
(Bids to be invited) $4,000,000

March 15 (Thursday)

Alabama Power Co.______Bonds
(Bids to be invited) $14,000,000

March 29 (Thursday)

Georgia Power Co.______Bonds
(Bids to be invited) $16,000,000

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★ Ford Motor Co., Detroit, Mich.
Dec. 29 filed 2,160,600 shares of common stock (par $5), which have been or may be issued under options granted by company to certain of its key employees pursuant to its Employees' Stock Option Plan (adopted Jan. 30, 1953). **Proceeds**—Have been or will be used for general corporate purposes.
Dec. 29 filed 900,000 shares of common stock (par $5), which are to be offered to such key employees of company and its subsidiaries as in the future may be granted options to purchase such shares pursuant to the 1955 Stock Option Plan of the company. **Proceeds**—For general corporate purposes.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Franklin Railway Supply Co.
Oct. 19 (letter of notification) 20,000 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—To reduce unsecured bank loans and for working capital. **Office**—927 Market St., Wilmington, Del. **Underwriter**—None, But C. W. Floyd Coffin and Herman F. Ball have agreed to purchase all shares not subscribed for by stockholders.

Fremont Uranium Co., Salt Lake City, Utah
Aug. 1 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—515 Deseret Bldg., Salt Lake City, Utah. **Underwriter** — Moab Brokerage Co., Western States Investment Co., Potter Investment Co., Mid-America Securities, Inc. of Utah, and Cashin-Emery, Inc., all of Salt Lake City, Utah.

Frontier Assurance Co., Phoenix, Ariz.
Dec. 2 (letter of notification) 2,000 shares of class B voting common stock (par $25), to be offered for subscription by holders of class A common stock. **Price**—$36.50 per share. **Proceeds** — For capital and surplus. **Office**—4143 N 19th Ave., Phoenix, Ariz. **Underwriter**—None.

Gas Hills Mining & Oil, Inc., Kemmerer, Wyo.
Aug. 1 (letter of notification) 1,000,000 shares of capital stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For oil and mining expenses. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

★ General American Oil Co. of Texas
Dec. 20 (letter of notification) contributions to the Employees' Savings Plan in the amount of $240,978.52 (half by employees and half by company) to be used to purchase common stock of the company. **Underwriter**—None.

● General Public Service Corp.
Dec. 12 filed 1,652,176 shares of common stock (par 10¢) being offered for subscription by stockholders of record Jan. 4, 1956, at the rate of one new share for each two shares then held, with an oversubscription privilege; rights will expire on Jan. 18. **Price**—$4.37½ per share. **Proceeds** — To add investments in the company's portfolio. **Underwriter**—Stone & Webster Securities Corp., New York.

General Shoe Corp., Nashville, Tenn. (1/11)
Dec. 21 filed 160,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For working capital. **Underwriter** — Smith, Barney & Co., New York.

Great Southwest Fire Insurance Co., Phoenix, Ariz.
Oct. 26 filed 700,000 shares of capital stock (par $1), to be offered to present and future holders of policies issued by National Reserve Insurance Co. as an optional dividend refund of their annual policy premium. **Price**—$1.60 per share. **Proceeds**—For working capital, etc. **Underwriter** — None. Some of the stock will also be offered to public through Kenneth K. Pound, President; and Law L. Lovelace, Secretary-Treasurer.

★ Great Southwest Fire Insurance Co.
Dec. 21 (letter of notification) 187,500 shares of common stock (par $1). **Price**—$1.60 per share. **Proceeds**—To be used for expenses re. fire and casualty insurance. **Office**—4450 N. Central, Phoenix, Ariz. **Underwriter**—None.

★ Green (A. P.) Fire Brick Co. (1/24)
Dec. 28 filed 245,007 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—Mexico, Mo. **Underwriters**—Blyth & Co., Inc., and Shields & Co., both of New York.

★ Guaranty Income Life Insurance Co.
Dec. 27 (letter of notification) 56,500½ shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Office**—929 Government St., Baton Rouge, La. **Underwriter**—None.

Gulf Coast Leaseholds, Inc., Houston, Texas
Sept. 14 filed $2,000,000 of 5% sinking fund convertible debentures due Sept. 1, 1965 to be sold to Brandel Trust. **Price**—$1,825,000, plus accrued interest of $29,632. **Proceeds**—To purchase certain working or leasehold interests in oil and gas interests. **Underwriter**—None.

★ Gulf Natural Gas Corp., New Orleans, La.
Dec. 30 filed $600,000 of 10-year 5% debentures due Jan. 1, 1966. **Price**—100% of principal amount. **Proceeds**—For construction costs. **Underwriter**—None.

Half Moon Uranium Corp., Ogden, Utah
Aug. 10 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—E-17 Army Way, Ogden, Utah. **Underwriter**—United Intermountain Brokerage Corp., Ogden, Utah.

Hammermill Paper Co., Erie, Pa.
Dec. 20 filed 166,400 shares of common stock (par $2.50) to be offered in exchange for shares of capital stock of Watervliet Paper Co. in the ratio of 26 shares of Hammermill common stock for each 25 shares of Watervliet stock. This offer is subject to acceptance by holders of at least 128,000 shares (80% of outstanding Watervliet stock). **Underwriter**—None.

Helio Aircraft Corp., Canton, Mass.
Nov. 3 (letter of notification) 24,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For administrative and engineering expenses. **Office** — Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—None.

★ Helio Aircraft Corp., Canton, Mass.
Dec. 29 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For improvements, research, development and working capital. **Office**—Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—To be supplied by amendment.

Home Acceptance Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) $300,000 of 25-year 6% junior subordinated debentures due Oct. 1, 1980. **Price**—At par (in denominations of $1,000, $500 and $100). **Proceeds**—For working capital. **Office**—837 South Maine St., Salt Lake City, Utah. **Underwriter**—Edward L. Burton & Co., same city.

Hunt Uranium Corp., Green River, Utah
Aug. 22 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining activities. **Underwriter** — Elmer K. Aagaard, 323 Newhouse Bldg., Salt Lake City, Utah.

Hydro-Loc, Inc., Seattle, Wash.
Oct. 25 (letter of notification) 1,674 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—603 Central Bldg., Seattle 4, Wash. **Underwriter**—Pacific Brokerage Co. of Seattle, Wash.

Ideal-Aerosmith, Inc., Hawthorne, Calif.
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So. Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

Incorporated Mortgage Investors
Dec. 7 (letter of notification) $233,000 of 8% registered debentures, due Jan. 1, 1976, and 58,250 shares of common stock (par $1) to be offered in units of one $100 debenture and 25 shares of stock. **Price**—$125 per unit. **Proceeds**—To be invested in the mortgage investment portfolio. **Office**—1012 H St., N. W., Washington, D. C. **Underwriter**—Federal Investment Co., same city.

Indian Monument Uranium Mining Corp.
Sept. 6 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—205 Byington Building, Reno, Nev. **Underwriter**—Richard L. Dineley, same address.

Inland Mineral Resources Corp., N. Y.
Dec. 12 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—42 Broadway, New York, N. Y. **Underwriter**—G. F. Rothschild & Co., same address.

Insulated Circuits, Inc., Belleville, N. J.
Nov. 10 filed 100,000 shares of 6% cumulative convertible preferred stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Alexander Watt & Co., Ltd., New York.

International Investors Inc., New York
Aug. 23 filed 200,000 shares of capital stock (par $1) **Price**—At market. **Proceeds**—For investment. **Business**—To invest in foreign securities of the free world outside of the United States. **Underwriter**—I. I. I. Securities Corp., 76 Beaver St., New York, N. Y.

International Metals Corp. (1/9-13)
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

Israel Industrial & Mineral Development Corp.
Oct. 5 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Israel Securities Corp., New York, N. Y.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

Kendon Electronics Co., Inc.
Oct. 27 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Nicholas J. Papadakos, the selling stockholder. **Office**—129 Pierrepont St., Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York.

● Korvette (E. J.), Inc. (1/12)
Dec. 16 filed 222,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—To operate a chain of retail stores in New York City and suburbs. **Office**—White Plains, N. Y. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

Lear, Inc., Santa Monica, Calif. (1/12)
Dec. 21 filed $3,000,000 of subordinated debentures due Dec. 1, 1970 (convertible through Nov. 30, 1965). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters** — Smith, Barney & Co., New York, and William R. Staats & Co., Los Angeles, Calif.

★ Lexington Funds, Inc., New York
Dec. 29 filed 350,000 shares of Lexington Venture Fund stock. **Price**—At market. **Proceeds**—For investment.

Life Underwriters Insurance Co., Shreveport, La.
Sept. 26 filed 100,000 shares of common stock (par 25 cents) to be offered for subscription by present stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering, after which unsold shares will be offered to public. **Price**—$3.75 per share to stockholders; $10 per share to public. **Proceeds**—For expansion and working capital. **Underwriter**—None.

★ Lisbon Uranium Corp. (1/27)
Dec. 26 filed 1,306,209 shares of common stock (par 15¢) to be offered for subscription by common stockholders of record Jan. 27, 1956, at the rate of three new shares for each ten shares held. **Price**—$4 per share. **Proceeds**—To repay advances by Atlas Corp. of approximately $4,039,000, which has or will be used to acquire option to purchase the so-called Barrett claims and pay balance of purchase price; for exploration and drilling expenses, and for other corporate purposes. **Office** — Salt Lake City, Utah. **Underwriter**—None, but Wasatch Corp., a subsidiary of Atlas Corp., will purchase any unsubscribed shares.

Lithium Developments, Inc., Cleveland, Ohio
Oct. 17 filed 600,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development costs, etc. **Underwriter**—George Searight, New York City.

Little Mac Uranium Co.
Sept. 12 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—440 West 3rd North, Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

★ Lixovon Laboratories, Inc., Wilmington, Del.
Dec. 23 (letter of notification) 25,000 shares of class A common stock (no par). **Price**—$11.50 per share. **Proceeds**—For pharmaceutical preparations. **Office**—1071 DuPont Bldg., Wilmington, Del. **Underwriter**—None.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Maine Fidelity Life Insurance Co. (1/16-20)
Nov. 10 filed 45,000 shares of capital stock (par $10). **Price**—$25 per share. **Proceeds**—For general corporate purposes. **Office** — Portland, Me. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Manhattan Mercury Corp., Denver, Colo.
Oct. 26 (letter of notification) 1,500,000 shares of common stock (par one cent), of which 1,400,000 shares are for account of company and 100,000 shares for certain stockholders. **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—374 Denver Club Bldg., Denver, Colo. **Underwriters**—General Investing Corp., New York; and Investment Service Co., Denver, Colo.

Mansfield Telephone Co., Mansfield, Ohio
Nov. 4 (letter of notification) 6,000 shares of 5% preferred stock. **Price**—At par ($50 per share). **Proceeds**—To reduce short term indebtedness and for construction program. **Office**—35 Park Avenue East, Mansfield, Ohio. **Underwriter**—None.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Marl-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif. **Underwriter**—Globe Securities Corp., New York.

Mascot Mines, Inc.
Aug. 1 (letter of notification) 300,000 shares of common stock (par 35 cents). **Price** — 62½ cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter**—Standard Securities Corp., Spokane, Wash.

★ **Maydwell & Hartzell—San Francisco, Calif.**
Dec. 20 (letter of notification) 10,000 shares of common stock (par $10). **Price**—$15 per share. **Proceeds**—Incidental to electrical transmission and distribution equipment. **Office**—870 Tennessee St., San Francisco 7, Calif. **Underwriter**—None.

Mexico Refractories Co., Mexico, Mo.
Oct. 19 filed 57,776 shares of common stock (par $5) being offered to stockholders of National Refractories Co., a subsidiary, in exchange for 57,776 shares of capital stock (par $5) of National on a share-for-share basis; offer to remain open for 60 days from Nov. 17, 1955. Offer is conditioned upon Mexico owning at least 80% of outstanding National stock upon consummation of exchange.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of non-assessable capital stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Mohawk Silica Co., Cincinnati, Ohio
Oct. 3 (letter of notification) 3,000 shares of 8% cumulative preferred stock. **Price** — At par ($50 per share). **Proceeds**—For processing plant, heavy equipment, and working capital. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter** — W. E. Hutton & Co., Cincinnati, Ohio.

Monitor Exploration Co., Denver, Colo.
Dec. 9 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—623 First National Bank Building, Denver 2, Colo. **Underwriter** — Globe Securities Corp., Jersey City, N. J.

★ **Motorcity Credit Corp., Salt Lake City, Utah**
Dec. 21 (letter of notification) 1,100,000 shares of non-assessable capital stock (par 10 cents). **Price**—25 cents. **Proceeds**—To be used re. sales discount financing for complete payments on property, improvements and operating capital and reserves. **Office**—3440 South State St., Salt Lake City, Utah. **Underwriter**—None.

Mt. Vernon Mining & Development Co.
Nov. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—422 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Ackerson-Hackett Investment Co., 701 Continental Bank Bldg., same city.

National Old Line Insurance Co. (1/16-20)
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of non-assessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Nevada Mercury Corp., Winnemucca, Nev.
Sept. 16 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Professional Building, Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver, Colo.

★ **New Hampshire Business Development Corp.**
Dec. 21 (letter of notification) 250 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—To be used for the purpose of encouraging the industrial growth of New Hampshire. **Office**—18 North Main St., Concord, N. H. **Underwriter**—None.

New Orleans Public Service Inc. (1/11)
Dec. 2 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Blair & Co. Incorporated. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Jan. 11, at Two Rector St., New York 6, N. Y.

★ **New York Editors Corp.**
Dec. 29 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To acquire building and equipment and for working capital and other general corporate purposes. **Office** — 271 Church St., New York 13, N. Y. **Business**—Publishing house in Inter-American field. **Underwriter**—None.

★ **Newberry (J. J.) Co., New York**
Dec. 29 filed 100,000 shares of common stock (no par) to be offered pursuant to the company's Employees' Stock Option Plan to certain employees of the company and its subsidiaries.

Oak Mineral & Oil Corp., Farmington, N. M.
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

★ **Oceanic Drilling & Exploration Co., San Francisco, Calif.**
Dec. 19 filed $925,000 of Limited Partnership Interests in the company (which is a limited partnership) to be offered in minimum amounts of $25,000 or in greater amounts that are multiples of $12,500. **Proceeds**—To be spent in the drilling of exploration wells on unproved properties. **Underwriter**—None, but J. Barth & Co., San Francisco, Calif., will assist in the sale of partnership interests and other firms or persons may also be engaged to do so.

● **Ohio Water Service Co. (1/13)**
Dec. 19 (letter of notification) 12,157 shares of common stock to be offered for subscription by common stockholders of record Jan. 10 on a 1-for-10 basis; rights to expire on Jan. 31. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg, Pa.

● **Olive-Myers-Spalti Mfg. Co., Dallas, Texas**
Oct. 24 filed 100,000 shares of 55-cent cumulative convertible preferred stock (par $6.25) being offered for subscription by common stockholders on basis of one share of preferred stock for each 2.597 shares of common stock held as of Dec. 28; rights to expire Jan. 11. **Price** — To stockholders $9.50 per share; to public $10 per share. **Proceeds**—For expansion program. **Business**—Manufactures household furniture. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Texas.

Ottilia Villa, Inc., Las Vegas, Nev.
Aug. 16 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

● **Outboard, Marine & Manufacturing Co.**
Dec. 15 filed 313,845 shares of common stock (par 83⅓ cents), of which 213,845 shares are being offered for subscription by common stockholders of record Jan. 4, 1956 on the basis of one new share for each 10 shares held (rights to expire on Jan. 23); the remaining 100,000 shares were on Jan. 5 offered to the public for the account of two selling stockholders. **Price**—To stockholders $37.50 per share; and to public $42.50 per share. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

Pacific International Metals & Uranium, Inc.
Aug. 12 (letter of notification) 12,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—419 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Guss Securities Co., Salt Lake City, Utah.

Paria Uranium & Oil Corp.
Oct. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

Penn Precision Products, Inc., Reading, Pa.
Nov. 3 (letter of notification) 3,857 shares of common stock (no par), of which 2,000 shares are to be offered for subscription by existing stockholders at $12 per share, and 1,857 shares to non-stockholders who are residents of Pennsylvania at $14 per share. **Proceeds**—For purchase of mill. **Office** — 501 Crescent Ave., Reading, Pa. **Underwriter**—None.

Penn-Utah Uranium, Inc., Reno, Nev.
Aug. 4 (letter of notification) 2,000,000 shares of common stock (par three cents). **Price**—15 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—206 N. Virginia Street, Reno, Nev. **Underwriter**—Philip Gordon & Co., Inc., New York, N. Y.

★ **Piedmont Label Co., Inc., Bedford, Va.**
Dec. 19 (letter of notification) 8,000 shares of common stock to be offered for subscription by stockholders on the basis of one share for each 3¾ shares held; unsubscribed shares to be offered to public. **Price**—$14 per share to stockholders and $15 to public. **Proceeds**—To finance construction of an addition to plant re. printing of lithographed labels for cans, bottles, boxes, etc. **Office**—311 West Depot St., Bedford, Va. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Pipelife Corp., Tulsa, Okla.
Nov. 29 filed 115,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To pay current accounts and notes payable; for research and development; and general corporate purposes. **Underwriter** — North American Securities Co., Tulsa, Okla.

Pittman Drilling & Oil Co., Independence, Kan.
Sept. 6 (letter of notification) 60,000 shares of 6% non-cumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

★ **Prestige Club, Inc.**
Dec. 29 (letter of notification) 60,000 shares of Class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Office** — 4 West 58th St., New York 19, N. Y. **Business**—Guaranteeing of credit throughout the United States and Europe. **Underwriter**—None.

Prudential Loan Corp., Washington, D. C.
Nov. 22 filed 111,000 shares of 44-cent cumulative prior preferred stock (par $5) and 55,500 shares of 10-cent par common stock to be offered in units of one share of preferred stock and one-half share of common stock. **Price**—$6.75 per unit. **Proceeds**—For general corporate purposes. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

● **Puerto Rican Jai Alai, Inc. (1/10)**
Nov. 3 filed 1,250,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase property and for construction of sports stadium, etc. **Business**—Playing of jai alai, with pari-mutuel betting. **Office**—San Juan, Puerto Rico. **Underwriter**—F. H. Crerie & Co., Inc., New York.

Real Estate Clearing House, Inc.
Sept. 14 (letter of notification) 270,000 shares of 7% cumulative preferred stock (par $1) and 135,000 shares of common stock (par five cents) to be offered in units of two shares of preferred and one share of common stock. **Price**—$2.05 per unit. **Proceeds**—For working capital, etc. **Office**—161 West 54th Street, New York, N. Y. **Underwriter**—Choice Securities Corp., 35 East 12th Street, New York, N. Y.

Reno Hacienda, Inc., Inglewood, Calif.
Dec. 19 filed 4,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase real property, for construction of buildings and other facilities and for general corporate purposes. **Underwriter**—Wilson & Bayley Investment Co.

★ **Republic Aviation Corp.**
Dec. 20 (letter of notification) 1,344 shares of common stock (par $1). **Price** — At market (approximately $43 per share). **Proceeds**—To common stockholders entitled to receive fractional shares in connection with 10% stock dividend paid Dec. 29 to holders of record Dec. 7, 1955. **Underwriter**—None.

Republic Benefit Insurance Co., Tucson, Ariz.
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

Reynolds Mining & Development Corp.
Nov. 22 filed 1,500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For working capital and mining expenses. **Office** — Moab, Utah. **Underwriter** — The Matthew Corp., Washington, D. C.

Riddle Airlines, Inc., Miami, Fla.
Dec. 20 filed 967,500 shares of common stock (par 10 cents) to be offered for subscription by stockholders at the rate of one new share for each four shares held (with an oversubscription privilege). [The company has obtained from certain stockholders waivers of subscription rights applicable to not less than 100,000 shares and

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such shares are to be offered to the general public free of the stockholders' prior rights.] **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Rogers Corp., Rogers, Conn.
Oct. 3 (letter of notification) a minimum of 5,883 shares and a maximum of 7,453 shares of class B common stock to be offered to stockholders on a basis of one share for each four shares held. **Price**—($29 per share). **Proceeds**—To replenish working capital due to losses sustained in recent flood. **Underwriter**—None .

★ **Rowan Controller Co., Baltimore, Md.**
Dec. 20 (letter of notification) 6,935 shares of common stock (par $10) to be offered for subscription by stockholders. **Price**—$14 per share. **Proceeds**—For development of new products and working capital re. manufacture and sale of electrical controllers. **Office**—2313-2315 Homewood Ave., Baltimore, Md. **Underwriter**—None.

San Juan Racing Association, Inc., Puerto Rico.
Sept. 27 filed 4,000,000 shares of common stock (par 50 cents), of which 3,800,000 will be represented by 3,000,000 voting trust certificates and 800,000 warrants. These offerings are to be made in two parts: (1) an offering, at 50 cents per share, of 200,000 shares for subscription by stockholders of record April 30, 1955, on a two-for-one basis; and (2) a public offering of 3,000,000 shares, to be represented by voting trust certificates, at 58.8235 cents per share. **Proceeds**—For racing plant construction. **Underwriter**—None. Hyman N. Glickstein, of New York City, is Vice-President.

San Juan Uranium Exploration, Inc.
Aug. 19 (letter of notification) 925,000 shares of nonassessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

Sans Souci Hotel, Inc., Las Vegas, Nev.
Nov. 9 filed 1,428,000 shares of common stock (of which 1,097,529 shares are to be offered for subscription by stockholders at rate of 1⅔ shares for each share held; 30,471 shares are to be issued in payment for claims of seven individuals and firms aggregating $30,471; and 300,000 shares are to be offered by George E. Mitzel, President of company). **Price**—$1 per share. **Proceeds**—For construction of new facilities; to pay off notes; and for working capital. **Underwriter**—None.

Sayre & Fisher Brick Co., Sayreville, N. J.
Sept. 30 filed 325,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For prepayment of outstanding 5½% sinking fund bonds due 1970; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter** — Barrett Herrick & Co., Inc., New York City. **Offering**—Expected soon.

Science Press of New Jersey, Inc.
Nov. 10 (letter of notification) 15,620 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For building, equipment, working capital, etc. **Office**—Spur Route 518, a mile west of the Borough of Hopewell, County of Mercer, N. J. **Underwriter**—Louis R. Dreyling & Co., Jamesburg, N. J.

Sheraton Corp. of America
Oct. 31 filed $15,000,000 of 6½% cumulative income subordinated debentures due Nov. 1, 1980 to be offered initially by the company (a) to its stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock then held and (b) to employees of corporation and its subsidiaries. **Price**—$95 per $100 of debentures to stockholders; and at par to public. **Proceeds**—For general corporate purposes. **Office**—Boston, Mass. **Underwriter**—None, but Sheraton Securities Corp., a subsidiary, will handle stock sales.

Shumway's Broken Arrow Uranium, Inc.
Nov. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Moab, Utah. **Underwriter**—Ackerson-Hackett Investment Co., Salt Lake City, Utah.

Signature Loan Co., Inc., Yonkers, N. Y. (1/17)
Dec. 23 filed 150,000 shares of class A common stock (par $1.) **Price**—$5 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Simon, Strauss & Himme and A. M. Kidder & Co., both of New York; William N. Pope, Inc., Syracuse, N. Y.; and Chace, Whiteside, West & Winslow, Inc., and Draper, Sears & Co., both of Boston, Mass.

Silver Creek Precision Corp.
Dec. 12 (letter of notification) 13,333 shares of common stock (par 40 cents). **Price**—$1 per share. **Proceeds**—To selling stockholder. **Underwriter** — Weill, Blauner & Co., Inc., New York.

Silvray Lighting, Inc. (1/16)
Dec. 16 filed 225,000 shares of common stock (par 25 cents), of which 75,000 shares are to be for the account of the company and 150,000 shares for the account of certain selling stockholders. **Price**—To be $3 per share. **Proceeds** — To be used for expansion and working capital. **Underwriter** — Milton D. Blauner & Co., Inc., New York.

Southern Mining & Milling Co. (1/31)
Sept. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Offices**—Healey Building, Atlanta Ga., and 4116 No. 15th Avenue, Phoenix, Ariz. **Underwriter** — Franklin Securities Co., Atlanta, Ga.

★ **Southern Oxygen Co., Bladensburg, Md. (1/24)**
Dec. 29 filed $1,250,000 of convertible subordinated debentures due Feb. 1, 1966. **Price** — To be supplied by amendment. **Proceeds** — For capital expenditures and working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Union Securities Corp., New York.

Southwest Gas Corp., Barstow, Calif.
Dec. 23 filed 44,208 shares of common stock (par $1). **Price** — $11 per share. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—First California Co., Inc., San Francisco, Calif.

Spurr Mining Corp.
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Cavalier Securities Co., Washington, D. C.

Stone (E. B.) Finance Co., Inc.
Dec. 8 (letter of notification) 9,000 shares of 6% cumulative preferred stock (par $25) and 6,000 shares of class A common stock (par $5). **Price**—For preferred, at par; and for common, $12.50 per share. **Proceeds**—From sale of preferred, for working capital; from sale of common, to Pauline Phillips Stone, a director, who is the selling stockholder. **Office**—910 So. Tryon St., Charlotte, N. C. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C. **Offering**—Expected this week.

Sulphur Exploration Co., Houston, Texas
Nov. 21 filed 600,000 shares of 6% convertible noncumulative preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each common share held. **Price**—At par ($2 per share). **Proceeds**—For construction and operation of sulphur extraction plant. **Underwriter**—To be named by amendment. L. D. Sherman & Co., New York, handled common stock financing in August, 1954.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O. Box 127, Arvada, Colo.

Swank Uranium Drilling & Exploration Co.
Aug. 17 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expenses incident to mining activities. **Office**—Moab, Utah. **Underwriter**—Honnold & Co., Inc., Salt Lake City, Utah.

Sweetwater Uranium Co.
Sept. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Target Uranium Co., Spokane, Wash.
Aug. 12 (letter of notification) 1,000,000 shares of nonassessable stock (par five cents). **Price**—20 cents per share. **Proceeds** — For mining expenses. **Office** — 726 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

● **Techbuilt Homes, Inc., Cambridge, Mass. (1/6)**
Dec. 9 (letter of notification) $300,000 of 6% convertible debentures due Dec. 15, 1965. **Price**—100% of principal amount. **Proceeds**—For working capital and other general corporate purposes. **Office**—55 Brattle St., Cambridge, Mass. **Underwriter** — Aetna Securities Corp., New York.

Tenison Drilling Co., Inc., Billings, Mont.
Dec. 12 filed 400,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—For drilling test costs, payment of notes and accounts payable and loans and for general working capital. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

Texas American Oil Corp.
Nov. 3 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For drilling expenses, etc. **Office**—216 Central Bldg., Midland, Tex. **Underwriter**—Kramer, Woods & Co., Inc., Houston, Tex.

Texas Eastern Transmission Corp.
Nov. 30 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—Toward redemption of presently outstanding 190,000 shares of 5.50% first preferred stock. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Expected sometime in January.

★ **Textron American, Inc. (1/24)**
Dec. 29 filed $30,000,000 of 5% convertible subordinated debentures due Jan. 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—To finance non-textile diversification program. **Underwriter**—Blair & Co Incorporated, New York.

★ **Trail-Craft Corp., Clarksburg, W. Va.**
Dec. 20 (letter of notification) 2,000 shares of common stock (no par). **Price**—$25 per share. **Proceeds**—To reduce indebtedness, finance promotion and advertising, defray expenses of sales management and operating capital re. development of an amphibious trailer known as "Trail-Craft." **Underwriter**—None.

Trans-American Development Corp.
Nov. 14 (letter of notification 45,000 shares of 8% cumulative preferred stock (par $1) and 45,000 shares of class A common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$1 per unit. **Proceeds**—For working capital. **Office**—5225 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

Traveler Publishing Co., Inc., Philadelphia, Pa.
Sept. 29 (letter of notification) $247,000 of 5½% convertible debentures, series A, due Sept. 1, 1965 and 24,700 shares of common stock (par 10 cents), to be offered in units consisting of $1,000 of debentures and 100 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—For payment of indebtedness, expansion, establishment of additional offices; professional and editorial assistance, advertising and promotion; and working capital. **Office**—Widener Bldg., Philadelphia, Pa. **Underwriter**—Albert C. Schenkosky, Wichita, Kansas.

Travelfares, Inc., Seattle, Wash.
Sept. 14 (letter of notification) 100,000 shares of nonassessable common stock. **Price**—At par ($1 per share). **Proceeds**—For repayment of loans, working capital, etc. **Office**—1810 Smith Tower, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Tri-Continental Corp., New York
Oct. 27 filed 2,573,508 shares of common stock (par $1), which will be issuable upon exercise of the common stock purchase warrants presently outstanding. **Price**—Each warrant currently entitled the holder to purchase 1.27 shares at $17.76 per share for each one share specified in the warrant certificate.

Trinidad Brick & Tile Co.
Dec. 14 (letter of notification) 800 shares of common stock (par $100); and $75,000 of 6% construction notes due Dec. 15, 1963. **Price**—At par. **Proceeds**—For paying notes payable and accounts payable and operating capital. **Office**—Trinidad, Colo. **Underwriters**—Fairman, Harris & Co., Inc., Chicago, Ill.

Tunacraft, Inc., Kansas City, Mo.
Aug. 22 (letter of notification) $295,000 principal amount of 6% 12-year registered subordinated sinking fund debentures, dated Sept. 1, 1955 (with stock purchase warrants). **Price**—At par (in denominations of $100 each or multiples thereof). **Proceeds**—To refinance and discharge secured obligation. **Underwriter** — McDonald, Evans & Co., Kansas City, Mo.

Underwriters Factors Corp.
Dec. 7 (letter of notification) 29,500 shares of 6⅔% participating convertible preferred stock (par $10) and 2,950 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $100.01 per unit. **Proceeds** — To increase working capital. **Office** — 51 Vesey St., New York, N. Y. **Underwriter**—New York and American Securities Co., 90 Wall St., New York, N. Y.

Union Gulf Oil & Mining Corp.
Sept. 9 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—510 Colorado Bldg., Denver, Colo. **Underwriter**—Honnold & Co., same city.

U. S. Automatic Machinery & Chemical Corp.
Nov. 4 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office**—8620 Montgomery Ave., Philadelphia, Pa. **Underwriter**—Columbia Securities Corp., 135 Broadway, New York. **Offering**—Expected some time in January, 1956.

Universal Service Corp., Inc., Houston, Texas
July 8 filed 500,000 shares of common stock (par two mills). **Price** — $2.50 per share. **Proceeds** — For equipment, mining costs, oil and gas development, and other corporate purposes. **Underwriter** — None. **Offering** — Postponed.

Utah-Arizona Uranium, Inc., Salt Lake City, Utah
Aug. 1 (letter of notification) 600,000 shares of common stock (par 16⅔ cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Greyhound Terminal Building, West Temple & South Temple Streets, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La.

Utah Grank, Inc., Reno, Nev.
Aug. 15 (letter of notification) 270,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining activities. **Office**—312 Byington Bldg., Reno, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

Vacu-Dry Co., Oakland, Calif.
Dec. 16 (letter of notification) 30,000 shares of class A cumulative convertible stock. **Price**—$10 per share. **Proceeds**—To repay outstanding notes and bank borrowings, and for working capital. **Office**—950—56th St., Oakland 8, Calif. **Underwriter**—Wilson, Johnson & Higgins, Inc., San Francisco, Calif.

Wagon Box Uranium Corp., Provo, Utah
Nov. 21 filed 2,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To explore and acquire claims, for purchase of equipment and for working capital and other corporate purposes. **Underwriter**—H. P. Investment Co., Provo, Utah and Honolulu, Hawaii.

★ **War Bonnet Uranium & Mining Co., Inc.**
Dec. 21 (letter of notification) 50,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For uranium exploration and development. **Office**—Lander, Wyo. **Underwriter**—None.

Warrior Mining Co., Birmingham, Ala.
Sept. 29 (letter of notification) 6,000,000 shares of nonassessable common stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office** — 718 Title Guarantee Bldg., Birmingham, Ala. **Underwriter**—Graham & Co., Pittsburgh, Pa. and Birmingham, Ala.

Western Greyhound Racing, Inc. (2/13-17)
Dec. 19 filed 1,950,000 shares of common stock (par one cent), of which 1,800,000 shares are to be offered publicly. **Price**—$1.25 per share. **Proceeds**—To purchase assets of Arizona Kennel Club, and for working capital and other general corporate purposes. **Office**—Phoenix, Ariz. **Underwriter**—M. J. Reiter Co., New York.

Western States Refining Co.
Dec. 14 filed $1,050,000 10-year 6% sinking fund debentures due Jan. 1, 1966, and 105,000 shares of common stock (par 25 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$52.50 per unit. **Proceeds**—For construction and installation of a Houdriformer cracking unit; expansion of refinery; to repay outstanding obligations; and for working capital. **Office**—North Salt Lake, Utah. **Underwriter**—J. Barth & Co., San Francisco, Calif. **Offering**—Expected in January.

Wonder Mountain Uranium, Inc., Denver, Colo.
Aug. 12 (letter of notification) 2,380,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—414 Denver Nat'l Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., Denver, Colo.

Woods Oil & Gas Co., New Orleans, La.
Aug. 29 filed 250,000 shares of common stock (par $5). **Price**—$8 per share. **Proceeds**—For retirement of debt; revision of corporate structure, etc. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill. **Offering**—To be withdrawn.

Woodstock Uranium Corp., Carson City, Nev.
Nov. 21 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Virginia Truckee Bldg., Carson City, Nev. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

Wy-Cal Uranium Enterprises, Inc., Lander, Wyo.
Dec. 6 (letter of notification) 273,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—268 Main St., Lander, Wyo. **Underwriter**—Valley State Brokerage, Inc., 2520 South State St., Salt Lake City, Utah.

Wycotah Oil & Uranium, Inc., Denver, Colo.
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

Wyoming-Gulf Sulphur Corp.
Oct. 10 filed 971,000 shares of capital stock (par 10 cents), of which 700,000 shares are for company's account and 271,000 shares for account of two selling stockholders. **Price**—On the over-the-counter market at then prevailing price, but not less than $2 per share. **Proceeds**—For auxiliary equipment for Cody plant, for acquisition of additional site, and related activities.

Wyton Oil & Gas Co., Newcastle, Wyo.
Sept. 29 filed 254,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To August Buschmann, of Seattle, Wash., and members of his family. **Underwriter**—None.

Yellowknife Uranium Corp.
Aug. 19 filed 1,000,000 shares of common stock (par one cent), of which 700,000 shares are to be sold for account of company and 300,000 shares for account of Stancan Uranium Corp. **Price**—$1.50 per share. **Proceeds**—For payments under purchase and option agreements for claims; for working capital and reserve funds; and for other general corporate purposes. **Office** — Toronto, Canada. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York City. **Offering**—Indefinitely postponed.

Zenith-Utah Uranium Corp.
Sept. 14 (letter of notification) 6,000,000 shares of class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

Prospective Offerings

★ **Alabama Power Co. (3/15)**
Dec. 14 it was announced company plans to issue and sell $14,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Equitable Securities Corp., Union Securities Corp. and Drexel & Co. (jointly); The First Boston Corp.; Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received on March 15. **Registration**—Planned for Feb. 17.

Automatic Washer Corp.
Dec. 5 it was reported company plans early registration of 250,000 shares of common stock (par $1.50). **Underwriter**—Cohen, Simonson & Co., New York.

Bangor & Aroostook RR.
Dec. 19 it was announced company may issue and sell early next year 29,762 shares of common stock to its stockholders who will vote Jan. 17 on approving a refinancing program. **Proceeds** — Together with funds from private sale of $8,000,000 new 4¼% prior lien bonds, to redeem $10,400,000 outstanding 4½% first mortgage bonds. **Underwriter**—May be The First Boston Corp., New York.

Central Power & Light Co. (2/14)
Dec. 20 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to noon (EST) on Feb. 14.

Chemical Corn Exchange Bank, New York
Dec. 8 it was announced stockholders will vote Jan. 17 on approving a proposal to offer to stockholders 590,425 additional shares of capital stock on a 1-for-8 basis. **Underwriters** — Kuhn, Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co. and W. C. Langley & Co.

★ **Chicago, Burlington & Quincy RR. (1/18)**
Bids are expected to be received by the company on or about Jan. 18 for the purchase from it of about $7,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Citizens & Southern National Bank, Atlanta, Ga. (1/20)
Nov. 8 the directors recommended the sale of 100,000 additional shares of common stock (par $10) to stockholders on the basis of one new share for each nine shares held as of Jan. 20, 1956 (subject to approval of stockholders in January). **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

Clark Oil & Refining Co. (1/23-27)
Dec. 14 it was reported company plans early registration of about 90,000 shares of convertible preferred stock (par $20) and some common stock. **Underwriter**—Loewi & Co., Milwaukee, Wis.

Consolidated Freightways, Inc.
Dec. 21 it was announced corporation plans to offer new common shares to preferred stockholders at market prices payable with funds to be received March 15, 1956 from the redemption of the preferred stock. **Underwriter**—Probably Blyth & Co., Inc., San Francisco, Calif.

Dallas Power & Light Co. (2/15)
Nov. 28 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers; Blair & Co. Incorporated. **Bids**—Tentatively scheduled for Feb. 15.

Delaware Power & Light Co.
Sept. 28 it was announced that the company expects to undertake some common stock financing early in 1956, probably first to stockholders (this is in addition to bond and preferred stock financing planned for Dec. 13). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Carl M. Loeb, Rhoades & Co.; Blyth & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers.

Dolly Madison International Foods Ltd.
Nov. 15 it was announced that Foremost Dairies, Inc. intends at a future date to give its stockholders the right to purchase its Dolly Madison stock. **Underwriter**—Allen & Co., New York.

Du Mont Broadcasting Corp.
Aug. 10 it was announced that corporation, following issuance on Dec. 2 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

Duquesne Light Co.
Nov. 28, it was announced SEC has authorized Standard Power & Light Corp. to sell not more than 10,000 shares of the common stock of Duquesne Light Co. on the New York Stock Exchange by negotiated sale to a purchaser who will buy at the prevailing market prices, less a discount of not more than 50 cents per share.

Federal Pacific Electric Co.
Dec. 13 it was announced directors are considering an issue of subordinated income debentures or possibly preferred stock, together with common stock purchase warrants. **Proceeds** — About $2,000,000, together with $2,000,000 from private sale of notes, to repay bank loans. **Underwriters**—H. M. Byllesby & Co. (Inc.) and Hayden, Stone & Co., New York.

Flo-Mix Fertilizers Corp., Houma, La.
Dec. 12 it was reported early registration is expected of 159,000 shares of common stock. **Price** — Probably $5 per share. **Underwriters**—Fairman, Harris & Co., Inc., and Straus, Blosser & McDowell, both of Chicago, Ill.

Florida Power Corp.
April 14 it was announced company may issue and sell between $10,000,000 and $12,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp. **Offering**—Expected early in 1956.

General Telephone Co. of California (1/30 - 2/3)
Dec. 20 it was announced company has applied to the California P. U. Commission for permission to issue 718,862 shares of 4½% preferred stock (par $20), to be first offered in exchange for 5% preferred stock (par $20) of which there are outstanding 1,437,724 shares; unexchanged stock to be offered publicly. **Price**—$20.50 per share. **Proceeds**—Together with funds from private sale of $15,000,000 of debentures and $5,000,000 of notes, to retire any 5% preferred shares not presented for exchange; and to pay for expansion program. **Underwriters**—Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif. **Registration**—Expected Jan. 9.

★ **Georgia Power Co. (3/29)**
Dec. 14 it was announced company plans to issue and sell $16,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received on March 29. **Registration**—Planned for March 2.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

Houston Lighting & Power Co.
Oct. 31 it was reported company may sell early next year about $30,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Equitable Securities Corp. **Offering** — Expected in February or March.

Hudson Pulp & Paper Corp.
Nov. 28 it was reported company may do some public financing in connection with proposed newsprint mill, which, it is estimated, will cost about $25,000,000. **Underwriter**—Lee Higginson Corp., New York.

Inland Steel Co.
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approximately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

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★ Kansas Gas & Electric Co. (2/27)
Dec. 27 it was reported company plans to issue and sell $7,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 27. **Registration**—Scheduled for Jan. 27.

★ Kansas Gas & Electric Co. (2/27)
Dec. 27 it was reported company plans to issue and sell 200,000 additional shares of common stock. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 27. **Registration**—Scheduled for Jan. 27.

Kimberly-Clark Corp., Neenah, Wis.
Nov. 22 it was announced that the company plans further financing, the nature and extent of which has not yet been determined, except it is not the present intention to sell additional common stock. **Proceeds**—To be used to pay for further expansion, estimated to cost an additional $37,000,000. **Underwriter**—Blyth & Co., Inc., New York.

Lincoln Rochester Trust Co.
Dec. 19 it was announced stockholders will vote Jan. 25 on proposed offering to stockholders of 100,000 additional shares of common stock (par $20) on a 1-for-4 basis. **Underwriter**—The First Boston Corp., New York.

Louisiana Power & Light Co.
Dec. 19 it was announced company plans some financing during 1956 (probably bonds). **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Equitable Securities Corp. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly).

Mercantile National Bank of Dallas
Dec. 12 it was reported stockholders will vote Jan. 10 on approving a proposed offering to stockholders of 150,000 additional shares of capital stock. **Price**—$25 per share. **Underwriters**—Rauscher, Pierce & Co., Inc., and First Southwest Co., both of Dallas, Texas.

★ Mississippi Power Co. (3/1)
Nov. 3 it was announced company plans to issue and sell $4,000,000 of first mortgage bonds and 40,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Kidder, Peabody & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly). (2) For preferred stock—W. C. Langley & Co.; Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on March 1. **Registration**—Planned for Feb. 3.

Modern Homes Corp. (Mich.)
Nov. 21 it was reported company may offer publicly $1,000,000 of convertible debentures and some common stock. **Business** — Manufactures prefabricated homes. **Offices**—Dearborn, Mich., and Port Jervis, N. J. **Underwriter**—Probably Campbell, McCarty & Co., Inc., Detroit, Mich.

★ Narragansett Electric Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); Union Securities Corp.; Kidder, Peabody & Co. and Stone & Webster Securities Corp (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received sometime in March, 1956.

★ New England Electric System
Jan. 3 it was announced company plans to offer to its stockholders 834,976 additional shares of common stock on the basis of one new share for each 12 shares held. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected sometime in May, 1956.

• New England Power Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New York Central RR.
Nov. 28 company asked ICC for authority to sell $6,600,000 equipment trust certificates to mature Dec. 15, 1956-1970 to Despatch Shops, Inc., a wholly-owned subsidiary, with latter to ultimately offer the certificates through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

New York, New Haven & Hartford RR.
Dec. 21 stockholders approved a plan of exchange providing for the issuance (a) of not exceeding $58,131,150 of new unsecured non-convertible 100-year 5% debentures, dated Jan. 1, 1956, in exchange for present $55,363,000 par value 5% convertible preferred stock, series A, on the basis of $105 of debentures for each $100 par value of preferred stock, plus $5.25 in cash ($5 of which will be paid as dividend on preferred for year 1955); and (b) of $72,638,265 of new 5% non-convertible general income mortgage bonds, series B, dated Jan. 1, 1956, in exchange for present $69,179,300 of 4½% convertible general income mortgage bonds, series A, due July 1, 2022, on the basis of $105 of new series B bonds for each $100 of series A bonds plus $5.25 in cash, which will include 1955 interest. **Dealer-Manager**—Francis I. du Pont & Co., New York.

★ Northern Pacific Ry. (1/25)
Bids are expected to be received by the company on or about Jan. 25 for the purchase from it of about $5,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern States Power Co. (Minn.) (2/29)
Dec. 12 it was reported that company plans to issue and sell some additional common stock (probably first to stockholders). **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Blyth & Co., Inc., and Kuhn, Loeb & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; White, Weld & Co. and Glore, Forgan & Co. **Bids**—Expected to be received on Feb. 29.

Northwestern Bell Telephone Co. (1/31)
Dec. 20 directors authorized the issuance and sale of $25,000,000 of debentures to be dated on or about Feb. 1, 1956 and to mature in not more than 40 years. **Proceeds**—To retire bank loans and for improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on or about Jan. 31.

Offshore Gathering Corp., Houston, Texas
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

Pennsylvania Electric Co. (2/15)
Dec. 19 it was reported company plans to issue and sell about $25,000,000 of first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected Feb. 15.

Pennsylvania Electric Co. (2/15)
Dec. 19 it was reported company proposes issuance and sale of $9,000,000 of preferred stock early next year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected Feb. 15.

Pigeon Hole Parking of Texas, Inc.
Oct. 22 it was announced that about 800,000 shares of additional capital stock would be offered for public sale after the first of next year. **Proceeds** — Estimated at about $2,000,000, will be used to pay for expansion program. **Underwriters**—Porter, Stacy & Co., Houston, Tex.; and Muir Investment Corp., San Antonio, Tex.

Pike County Natural Gas Co.
Oct. 17 it was reported company plans to sell about $600,000 of common stock. **Underwriter**—Bache & Co., New York.

Plantation Pipe Line Co.
Dec. 19 it was announced that company may do some financing in 1956 in connection with its proposed expansion, costing about $23,500,000. **Underwriter**—Morgan Stanley & Co., New York.

Riverton Lime & Stone Co., Inc., Riverton, Va.
Dec. 19 it was reported company plans to finance its expansion, which, it is estimated, will cost between $9,000,000 and $10,000,000, part by private placement, and part publicly. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Seattle-First National Bank, Seattle (1/18)
Nov. 22 it was announced bank plans to offer its stockholders of record Jan. 18, 1956, the right to subscribe on or before Feb. 24 for 100,000 additional shares of capital stock (par $20) on the basis of one new share for each eight shares held. **Price**—To be not less than $85 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Seattle, Wash.

South Texas Oil & Gas Co.
Aug. 30 stockholders authorized issuance of 110,000 shares of cumulative convertible preferred stock (par $10). **Proceeds**—For exploration and drilling program, etc. **Underwriter**—Previous common stock financing was handled by Hunter Securities Corp., New York, who, it is stated, will not underwrite the new preferred issue.

Southern California Edison Co.
Dec. 27 company filed with the California P. U. Commission an application for exemption from competitive bidding of a proposed new issue of cumulative preferred stock. **Proceeds**—To retire outstanding bank loans and for construction program. **Underwriters**—Probably The First Boston Corp. and Dean Witter & Co. **Offering**—Expected during the first quarter of 1956.

Southern Indiana Gas & Electric Co. (2/23)
Dec. 20 company sought permission from the Indiana P. S. Commission for authority to offer to its common stockholders of record Feb. 21, 1956, an additional 83,030 shares of common stock on the basis of one new share for each 11 shares held. Rights are to expire on March 8. **Underwriter**—Smith, Barney & Co., New York underwrote previous rights offering. **Registration**—Expected about Feb. 2.

Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks, New York; Wiliam R. Staats & Co., Los Angeles, Calif. and First California Co., San Francisco, Calif. Bonds may be placed privately.

★ Tennessee Gas Transmission Co.
Dec. 29 it was announced company plans a public offering in the first quarter of 1956 of a new issue of second preferred stock. Stockholders on Feb. 7 will vote on approving an authorized issue of 1,000,000 shares of this new second preferred stock, which would be issued from time to time, in series. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Electric Service Co. (2/28)
Nov. 28 it was reported company plans to issue and sell $10,000,000 first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Hemphill Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids** — Tentatively scheduled for Feb. 28.

Texas Industries, Inc.
Oct. 11 stockholders authorized a new issue of 30,00[illegible] shares of new common stock (no par value), of which it is planned to initially issue 10,000 shares bearing a $[illegible] dividend and having a redemption value of $105 per share. **Proceeds**—For expansion program. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Tex.

Texas Utilities Co. (1/31)
Nov. 18, the directors authorized the sale of additional shares of common stock to raise approximately $15,000,000. **Proceeds**—For further investment in common stocks of subsidiaries and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. **Registration**—Expected immediately after the New Year.

Union Planters National Bank (1/12)
Nov. 29 directors authorized an offering to stockholders of 60,000 additional shares of capital stock (par $10) on the basis of one new share for each 10 shares held Jan. 11, 1956; rights to expire on or about Feb. 1. **Price**—$3[illegible] per share. **Office** — Memphis, Tenn. **Underwriter** — Equitable Securities Corp., Nashville, Tenn. **Meeting**—Stockholders to vote Jan. 11 on increasing authorized capital stock from $6,000,000 to $7,000,000.

Westcoast Transmission Co., Ltd.
Nov. 21 it was reported company now plans to issue and sell publicly over $20,000,000 of securities, probably in units of debentures and stock. Bonds are expected to be placed privately. **Proceeds**—For new pipe line. **Underwriter**—Eastman, Dillon & Co., New York.

Continued from page 8

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

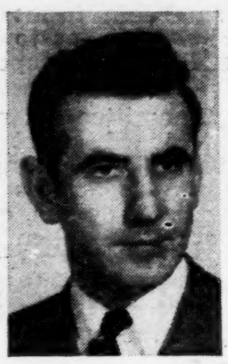
Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Dec. 12, 1955 is as follows:

Team:	Points
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	51
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	44½
Bradley (Capt.), C. Murphy, Vocolli, Rogers, Hunter	42½
Growney (Capt.), Define, Alexander, Montanye, Weseman	40½
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson, Smith	40½
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	38
Donadio (Capt.), Brown, Rappa, Seijas, Demaye	36
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	36
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	35
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	31
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	29
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	26

200 Point Club		5 Point Club
Jack Manson	207	Hank Serlen
		Joe Donadio

BOND CLUB OF DENVER

At the annual meeting of the Bond Club of Denver the following officers, directors and national committeemen were unanimously elected to serve from Dec. 8, 1955 through the year 1956.



Howard P. Carroll

Orville C. Neely

George B. Fisher

President: Howard P. Carroll, Carroll & Company.

Vice-President: Orville C. Neely, Merrill Lynch, Pierce, Fenner & Beane, Inc.

Secretary: Leon A. Lascor, J. K. Mullen Investment Company.

Treasurer: George B. Fisher, Bosworth, Sullivan & Company.

Directors: William W. Argall, Boettcher & Company; Gerald P. Peters, Jr., Peters, Writer & Christensen; Paul W. Gorham, Garrett, Bromfield & Company; Glen B. Clark, Colorado State Bank.

National Committeemen; John H. Alff, Amos C. Sudler & Company; Roscoe Ayers, J. K. Mullen Investment Company; Donald L. Patterson, Boettcher & Company; Robert L. Mitton, Robert L. Mitton Investments; Bernard Kennedy, Bosworth, Sullivan & Company.

COMING EVENTS

In Investment Field

Jan. 27, 1956 (Baltimore, Md.)
Baltimore Security Traders Association 21st annual Mid-Winter Dinner at the Southern Hotel.

Jan. 30, 1956 (Chicago, Ill.)
Bond Traders Club of Chicago annual dinner at the Drake Hotel.

Jan. 30, 1956 (Chicago, Ill.)
National Security Traders Association National Committee Meeting at the Drake Hotel.

Feb. 10, 1956 (Boston, Mass.)
Boston Security Traders Association annual winter dinner at the Parker House.

March 2, 1956 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Bellevue-Stratford Hotel with a luncheon and reception to be held at 12 noon.

March 9, 1956 (New York City)
New York Security Dealers Association 30th annual dinner at the Biltmore Hotel.

Oct. 24-27, 1956 (Palm Springs Calif.)
National Security Traders Association Annual Convention.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention.

Our Reporter's Report

The underwriting section of the Wall Street fraternity came back from its long year-end holiday seemingly concerned only with tackling the enormous job of distributing 10.2 million shares of Ford Motor Co. stock for the account of the Ford Foundation.

This area of the financial world had little else to absorb its time since it was apparent that other corporations with financing ideas evidently had decided to keep the tracks clear for the huge equity offering.

In as much as this undertaking will foot up to somewhere in the neighborhood of $650 to $700 million, it is a safe bet that since the rank and file of investment bankers and dealers, with few exceptions, will be in the Ford business it would be difficult to round up more than a corporal's guard to undertake any other business between now and the middle of the month.

Underwriters will be guarding their capital jealously to keep their position free for the big show and a look at the calendar of prospective new issues tends to bear this out. Meantime, there is no gainsaying the fact that investor interest is at a high point in the Ford offering.

Marking, as it does, another "first" for the general investor the latter have literally inundated brokers with their intentions of interest. Unless there is more duplication of orders or "padding" than might be suspected, it is possible that groups sponsoring the stock may have difficulty in keeping the "when-issued" market completely orderly.

Under Close Scrutiny

Recalling several similar offerings in recent years and the spectacular behavior of the stocks involved coincident with the operations, the Securities and Exchange Commission has served notice that it will be scrutinizing the Ford stock's reactions closely.

The Federal agency naturally is concerned with the possibility of efforts of outright speculators to try for a "free ride" in the event that the operation presents the opportunity for quick turn profits.

Underwriters, with the same purpose in mind, have outlined a strict code of procedure for their staffs in handling the business and are seeking to limit individual investors to not more than 200 shares each if possible. Widest obtainable distribution is their aim.

Incidentally, the forthcoming offering of Ford Motor Co. stock will certainly not be affected adversely, to say the least, by the continued reports that fleet owners are finding that currently Chevrolets are just not holding up as taxi cabs here in New York City. Many are being replaced by Fords, Dodges and Plymouths.

Slow Month Indicated

Even with the Ford offering out of the way, January shapes up as a decidedly slow month in new issue prospects. January, one of the big reinvestment periods, usually brings a rush of financing, but that is not the case this year.

The calendar could, of course, build up by a few quick registrations which would be available for offering toward the close of January, but even that is not indicated at this stage.

The only competition for Ford next week shapes up as Chicago, Burlington & Quincy Railroad's $7 million of equipment trust certificates, and that naturally won't interfere much with the general picture.

Textron-American

The following week will bring to market, unless there is a change in plans, Textron-American Inc.'s $30 million of debentures with a convertible feature. This one will be by the negotiated route and would involve preliminary offering to shareholders.

Northern Pacific has $5.5 million equipment trust certificates up for bids that week, while in the following week General Telephone Co. of California will open books, through underwriters, on 718,362 shares of preferred stock.

Northwestern Bell Telephone also will be in the market with an issue of $25 million of new debentures which will be up for bids on Tuesday, Jan. 31.

Erie County Water Authority Plans $3 Million Bond Sale

First instalment of $13 million improvement program. Authority increases water rates by 38%.

The Erie County Water Authority (New York) announced Jan. 4 that it plans to undertake a $13,000,000 improvement program to its water system. The Authority also announced that effective Feb. 1, 1956 a new rate schedule designed to increase water revenues by 38% would be placed into effect.

The improvements planned by the Authority include the increase of the capacity at its Woodlawn supply plant from 23 million gallons daily to 27 million gallons daily, and the construction of a new source of supply at Sturgeon Point with an initial capacity of 16 million gallons daily. The Authority expects that the improvement program will be completed by the end of 1959.

Lehman Brothers, financial advisors to the Authority, have recommended that the financing program be carried out over the next three years. In accordance with this program, the Authority expects to sell $3,000,000 bonds early in 1956.

John H. Kaplan Branch

MIAMI BEACH, Fla.—John H. Kaplan & Co., members of the New York Stock Exchange, will open a branch office in the Fontainebleau Hotel with John H. Kaplan as resident partner.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—While the new session of Congress has before it a tremendous docket of pending legislation, present indications are that the session at first will move most slowly toward actually passing major bills.

This situation, of course, will make for a more hectic and feverish situation when, two or three months from now, the Congress will reach the stage where such major subjects as expanded road and hospital programs, tax rate renewals, and aid to education come to the floor, or to votes in committee.

Time will be short this session. Because of the impending national political conventions, the leaders will aim for adjournment June 30, but probably will get away some time in July. Then, too, whole state delegations will absent themselves from the Capitol for a week or so at a time, fighting their own primary fights. During their absence, both floor and committee action will drag.

President Eisenhower's Annual Message, together with the 13-point legislative program offered by Senate Majority Leader Johnson, confirm that all the old spending programs as yet unpassed, together with two or three new welfare programs, will be on the docket this year.

What is slowing down the legislative machinery is the uncertainty over whether President Eisenhower will count himself in again as a candidate. If the President announces for re-election, both parties will be motivated by diversely aiming for his defeat or re-election, as the case may be. If the President takes himself out of the race, then both parties will have to make their best guess as to the probable Republican nominee, and cut and tailor their legislative cloths accordingly.

Then, too, Congress always is slow getting under way, and almost invariably winds up delaying the major decisions until near summer.

Taxes Help Avoid New CCC Issue

Because of the swelling receipts of taxes from the boom economy, it was possible for the Administration to avoid issuing at this time a block of some $800 millions of Commodity Credit Corp. certificates of interest. These are pool certificates based on farmers' notes given for CCC commodity price support loans.

Their effect is to transfer temporarily the burden of carrying CCC commodity loans from the Treasury to those who take them, such as banks and insurance companies.

It had been reported that the issue was due around the year-end. However, on Dec. 29, CCC announced the issue would be deferred until later, and that the later time could be either in February or April.

Considering the present money market, any CCC pool certificates, which run around nine months, obviously would draw a high rate of interest. This not only hurts the Administration in the pocket book, but fuels the fire of the demagogues, who charge this is a scheme to enrich the big moneybags.

However, it is said that at present the CCC is not certain of what volume of commodity loans it is likely to have to put out in the first quarter of calendar 1956. Since receipts are flowing in fast enough to keep the Treasury under the present "temporary" debt ceiling of $281 billion, the decision could be postponed.

Congress Is Critical Of Defense Procurement

This session offers little prospect of a serious drive for economy, except in one direction. There is a firm bi-partisan feeling that the Defense Department should be forced to take measures to cut down waste.

In 1953, Congress adopted an amendment by Senator Joseph C. O'Mahoney (D., Wyo.), who, incidentally, is an outstanding "liberal." The amendment directed the Secretary of Defense to issue regulations to bring about an integrated supply system which would eliminate duplications and overlapping.

This amendment, in the opinion of the Hoover Commission, has achieved nothing. "Despite a constant flow of Department of Defense directives, which seem to collect like autumn leaves against an impregnable barrier of the military departments, their supply systems appear less integrated and more independent than ever."

It was the opinion of the Hoover Commission that if the Defense Department integrated the procurement, storage, and distribution of its vast supplies, that annual savings of upwards of $2 billion would be possible.

Another Democratic "liberal," Rep. John W. McCormack (D., Mass.), floor leader, has joined the criticism of the Defense Department for its failure to integrate procurement.

Word has been passed around that the Defense Department will "accept" a large number of Hoover Commission recommendations, whilst balking against those which offer hope of substantive economies, such as integrated purchase of common items of supply.

"Liberal" as well as conservative sentiment may give Defense a run on this subject in the new year, for with additional military spending being requested, the possible savings of $2 billion from such economies will help permit spending in other directions.

BUSINESS BUZZ

"Please—no coaching from the audience!"

Farmers Home Works New Loan Deal

Farmers Home Administration, that rising government credit empire, has by regulation boosted the ever-possible risk the Treasury assumes in its existing contingent liability for that agency's loans.

Under Farmers Home, farmers may get loans up to 20 years for many kinds of water facilities, for reforestation, for conserving their soil, or for building permanent pasture. They may get loans up to 40 years on mortgages for purchasing or improving farms.

With both classes of loans, the government both approves and collects the farmers' loans as though it were the lender, merely going to a bank or insurance company for the money by writing "endorsed by the United States Government" on the back of the farmers' notes.

By law the Farmers Home clients must have been refused such credit from private lending institutions and the subsidized Farm Credit Administration agencies. Such marginal loans are thus elevated to the class of government-guaranteed paper.

To make doubly sure that the banks will be willing disbursing agents for these government-inspired loans, Farmers Home enters into an agreement with the disbursing bank that any time after 10 years that the bank does not want to hold the lender's note, the government will take back the loan.

The new regulation shortens this repurchase period to five years. Thus if it ever should work out that the "planners" could not in the face of continued deficit financing, keep the lid on money rates and there were a prolonged interest rate rise, much of this paper would come back to roost and the Treasury would have to pay off.

Bearish On Bank Underwriting Bill

There are pending before the Senate Banking Committee bills which would authorize national banks to underwrite and deal in municipal revenue bonds, the same as they may general obligation municipals.

In view of the opposition of the Investment Bankers Association, these bills are not expected to get out of Committee. It is said to be doubtful whether they will even come up for a hearing.

Sticks to Fiscal Compensation Theory

As usual, the daily press saw nothing in the report of the tax subcommittee of the Congressional Joint Committee on the Economic Report, other than what the subcommittee recommended.

That recommendation was that now is **not** the time to reduce taxes, what with there being a boom floating around and pressures on prices.

What the daily press did not appear to notice is that the Economic Committee sticks just as tenaciously to the "compensatory fiscal" theory as though the hard facts of fiscal life had never been learned by that Committee or its staff.

Under compensatory fiscal dogma, the government is supposed to cut taxes and increase spending to counter a depression, but it is supposed to raise taxes and cut spending to counter a boom and inflationary pressure.

With that as its No. 1 religion, it would have been merely ludicrous if the Joint Committee had favored tax reduction, for the Committee feels some obligation to appear sensible in a minor way.

However, the Committee avoids going through the logic of its dogma. There is no remote possibility of any tax increase except perhaps to finance additional roads spending.

The prospect of a balanced budget, in the main like the three balanced budgets of the past is due primarily to fiscal accident. The accident is a boom of proportions not visualized by the planners.

This Administration did not budget and plan for a balance this year, but freely admits the balance will be the accidental consequence of higher revenues.

Furthermore, the balance will be so small—in terms of the billions involved—as to be literally hairline in proportions.

The Joint Committee did not propose a prolonged effort at debt reduction in these times. That is because regardless of compensatory fiscal dogma, expenditures once undertaken by government can no more be reduced under practical political circumstances than Congress can bring about the reversal of time.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

Business Man's Bookshelf

Background for Mutual Security—International Cooperation Administration, Washington 25, D. C. (paper).

Government Finances in 1956—Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y. (paper), single copies available free—quantity prices on request.

Italia: A Photographic Review—Documentation Centre, Presidency of the Council of Ministers of the Italian Republic, Rome, Italy (paper), price in Italy 100 lire per copy.

Personal Finance—Second Edition — Elvin F. Donaldson — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. (cloth), $6.